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NAVAL POSTGRADUATE SCHOOL MONTEREY, CALIFORNIA



THESIS

**CASE STUDY: AN EXAMINATION OF THE
ROLE OF THE PROJECT MANAGER DURING
THE FOREIGN MILITARY SALE OF THE
MULTIPLE LAUNCH ROCKET SYSTEM TO
ISRAEL**

by

James M. Myers

June 1996

Principal Advisor:

David F. Matthews

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**CASE STUDY: AN EXAMINATION OF THE ROLE OF THE PROJECT
MANAGER DURING THE FOREIGN MILITARY SALE OF THE
MULTIPLE LAUNCH ROCKET SYSTEM TO ISRAEL**

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Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

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ABSTRACT

The role of leadership in the international community has taken on a new meaning for the United States in the post Cold-War Era. American engagement and leadership are just as important today as they were during the Cold-War Era because we confront an interdependent world in which the line between our concerns at home and our interests abroad is increasingly blurred. The United States offers Security Assistance to strengthen the national security of friendly nations, support existing or prospective democratic institutions, and market-oriented economies. In some instances, we can leverage our power and resources through alliances and multinational institutions. We have a stake in helping our allies to strengthen their own defenses so that they can share the common defense burden. Even in times of shrinking domestic defense budgets, and a "downsizing" defense industrial base, the U.S. will continue to be the world leader in the transfer of defense articles and services to meet our foreign policy objectives. An examination of the role of the Project Manager is critical to increasing the efficiency of the Foreign Military Sales process. The functional management role of the Project Manager is vital to the success of FMS transactions. By closely examining the FMS case of the MLRS to Israel, we can further develop and refine the FMS process. Adoption of the recommendations of this thesis will help to improve project management and support future FMS transactions.

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LIST OF ACRONYMS

AECA	Arms Control Export Act
AMC	U.S. Army Material Command
ATACMS	Army Tactical Missile System
ATBM	Anti-Tactical Ballistic Missile
CECOM	U.S. Army Communications-Electronics Command
CENTCOM	U.S. Central Command
CLSSA	Cooperative Logistic Supply Support Arrangement
DA DCSLOG	Department of the Army, Deputy Chief of Staff for Logistics
DCS	Direct Commercial Sales
DFAS	Defense Finance and Accounting Service
DISAM	Defense Institute for Security Assistance Management
DLSIE	Defense Logistics Studies Information Exchange
DoD	Department of Defense
DSAA	Defense Security Assistance Agency
ER-MLRS	Extended Range- Multiple Launch Rocket System
ESF	Economic Support Fund
FAA	Foreign Assistance Act
FMFP	Foreign Military Financing Program
FMS	Foreign Military Sales

FY	Fiscal Year
GOI	Government of Israel
HQ	Headquarters
IDF	Israeli Defense Force
IFCS	Improved Fire Control System
IMET	International Military Education and Training
IMLS	Improved Mechanical Launch System
IOC	Initial Operational Capability
ITAR	International Traffic In Arms Regulation
JER	Joint Ethics Regulation
LAR 160	Light Artillery Rocket - 160mm
LOA	Letter of Offer and Acceptance
LOR	Letter of Request
LRIP	Low-Rate Initial Production
MASL	Military Articles and Services List
MFOM	Multiple Launch Rocket System Family of Munitions
MICOM	U.S. Army Missile Command
MLRS	Multiple launch Rocket System
MOA	Memorandum of Agreement
MOD	Israeli Ministry of Defense
NSC	National Security Council
NAMSA	NATO Maintenance and Supply Activity

OMB	Office of Management and Budget
PEO	Program Executive Office
PKO	Peacekeeping Operations
PLO	Palestine Liberation Organization
PM	Project Manager
PMO	Project Management Office
PMR	Program Management Review
SAMD	Security Assistance Management Directorate
SAO	Security Assistance Organization
SDAF	Special Defense Acquisition Fund
TAACOM	U.S. Army Tank Automotive & Armament Command
TDP	Technical Data Package
TRADOC	U.S. Army Training and Doctrine Command
USASAC	U.S. Army Security Assistance Command

I. INTRODUCTION

A. PURPOSE

This thesis examines the role of the Project Manager (PM) and his staff, as well as the supporting security assistance agencies that supported the PM, during the conduct of the Foreign Military Sales (FMS) of the Multiple Launch Rocket System (MLRS) to Israel. The role of the PM and his staff is evaluated from the perspective of the functional management responsibilities they assumed during this FMS case. It further investigates the roles of the security assistance agencies which were involved in the FMS process and how the interactions of those agencies supported the PM in this endeavor. The roles and responsibilities of the various agencies involved in a typical case are examined and compared to this case. The ethical considerations which faced the Project Management Office (PMO) in this particular case are addressed. An examination of the impact that FMS has on the industrial base is presented. Lessons which were learned from this case are discussed and developed into recommendations for improvement of the FMS and Foreign Military Financing Programs (FMFP). Additionally, recommendations are made for further research and study in the area of FMS, roles and responsibilities of affected agencies, achieving foreign policy objectives and increasing the efficiency and effectiveness of concerned agencies.

B. BACKGROUND

The role of leadership in the international community has taken on a new meaning for the United States in the post Cold-War Era. American engagement and leadership are just as important today as they were during the Cold-War Era because we confront an interdependent world in which the line between our concerns at home and our interests abroad is increasingly blurred. The prosperity of our entrepreneurs,

workers, and farmers relies on their ability to gain access to, and compete in, the global marketplace. Our industrial base is at the very heart of this theme for the future of American enterprise.

A critical test of our leadership will be our willingness to dedicate the resources necessary to protect the security and prosperity of our people. The current administration, as well as those of the future, must demonstrate a willingness to shape a world which remains conducive to American interests and consistent with our core values of free markets and open societies. It is only with conviction that the Legislative and the Executives branches of our government must allow Americans to prosper in world markets. Each year as the budget process is begun, it must be undertaken with the interests of the American worker in mind, keeping American jobs in the forefront of our foreign policy, along with the safety and security of ourselves and our allies. We must factor these issues, and the issues of non-proliferation, a clean environment, and the reduction of crime into our budgeting deliberations.

The end of the Cold War brought security to the United States at a tremendous price. It has been replaced by a struggle to create and strengthen democratic institutions of government and market economies in the key regions of the world. The United States is leading the move toward creating a new international system which has democracy as its foundation. The United States will clearly benefit from the consolidation of democratic economies as the threat of war is diminished, expansion of economic opportunities for us and our allies on a range of issues of direct concern to the American people is dramatically increased. These issues cross the traditional boundaries of economic, social, and cultural differences, seeking economic exchanges within democratic governments.

Domestically, a sharp decrease in defense budgets, when combined with the diminishing defense industrial base, has created a heightened interest in the foreign

sale of military equipment, defense articles and services, military construction, and training. Economic conditions world-wide have contributed to increased sales of military equipment at record levels. The U.S. has always sought to maintain the security of itself and that of its allies. It is for this reason that the process of the Foreign Military Sales (FMS) of U.S. equipment has become a topic of increased interest in recent years. The process of Foreign Military Sales is an integral part of American Foreign Policy, and is one which is relied upon by many customer countries and American business enterprises. The Department of Defense (DoD), as the executive agent for the FMS process, plays an integral part in this process.

Incorporated into the military modernization planning for many allied countries are the plans to upgrade conventional artillery weapons delivery systems. This modernization may include upgrades from towed artillery to self-propelled, or from tube artillery to rockets. In some instances these upgrades have included the purchase and integration of the Multiple Launch Rocket System (MLRS) into their inventory to complement their existing artillery. Prior to the Foreign Military Sale of the Multiple Launch Rocket System, older, towed and self-propelled artillery systems were available to customer countries. These FMS cases were administered with little or no Project Management Office (PMO) involvement, since the items were older, and had been in the Department of Defense (DoD) inventory for many years. In addition, logistical support was relatively simple for these older systems.

After the resounding victory of U.S. and coalition forces during Desert Storm, there has been a surge of interest in the Foreign Military Sale of new U.S. military technology. In many instances, our allies began to express interest in the weapon systems that had proven themselves for the first time in modern warfare. One such weapon system is the Multiple Launch Rocket System (MLRS). This weapon system proved itself by its firepower, lethality, agility, and supportability on the modern

battlefield. As a result of increased interest on a global scale, PMs are now realizing the additional responsibilities that are placed upon them by the prospects of Foreign Military Sales.

Regarding the FMS of new production equipment such as the Multiple Launch Rocket System, the functional management role of the PM has been poorly-defined. Despite project management having been in place for several years, and the security assistance management efforts undertaken by the vast infrastructure in the Defense Department, the role of the PM in this process is at best unclear. In fact, little guidance is given to establish the role of the Project Manager in the Foreign Military Sales of new equipment. In comparison, the task of managing the sale of older, obsolescent equipment at the U.S. Army Missile Command (MICOM) is accomplished by the Security Assistance Management Directorate (SAMDM). In these instances there is virtually no interface between the customer and the PM. The PM must therefore find the necessary resources within his own office to support the FMS burden, from project assets.

When viewing the FMS of new weapon systems to foreign governments, the PM plays a critical role in the procedure. Analysis indicates a need to determine the appropriate functional management role for the PM and his staff, as well as the security assistance community throughout the Defense Department. Proper assignment of roles and responsibilities will not only streamline the FMS process, make it more efficient and cost-effective, but will also serve to attract more customers to FMS as part of PM acquisition strategies. This lesson may be applied not only to the FMS of new weapons, but also to the sale of older equipment and other military hardware.

C. THESIS OBJECTIVE

The primary objective of this thesis is to determine the most appropriate functional management role for the PM during the Foreign Military Sale of new

production weapon systems. The secondary objective herein will be to establish the appropriate supporting roles and responsibilities of the various security assistance agencies who are intended to support the PM in this endeavor. The role of the PM will be analyzed by a case study of the FMS of the MLRS to Israel. The FMS of the MLRS to Israel highlights some unique features of the FMS process and provides some valuable insights into the functional management aspects of FMS in general.

D. RESEARCH QUESTIONS

The research provided herein will answer the following primary and subsidiary questions:

1. Primary

What is the most appropriate functional management role for the PM in the Foreign Military Sale of new production weapon systems?

2. Subsidiary

What security assistance agencies were involved in the FMS of the MLRS to Israel and did they provide adequate support to the PM in this transaction?

What activities did the PM actually perform that may have been outside his scope of responsibility?

What ethical considerations did the PM encounter with regard to his roles and responsibilities in this cases?

Whose responsibility is it to protect the data/intellectual property rights of the defense contractor in this case?

Is the sale of MLRS to Israel representative of the future of our FMS program?

What unique features does this case include when compared to other FMS cases?

What were the lessons learned from this FMS case?

E. SCOPE AND LIMITATIONS OF RESEARCH

This thesis is based on determining the appropriate functional roles of the Project Manager and his staff, and the supporting security assistance agencies associated with the Foreign Military Sales of the MLRS to Israel. I will seek to highlight any redundancy or gaps in the security assistance management system as it currently exists, and make any recommendations for the assumption of leadership in the absence of clear guidance. I plan to assess the security assistance process, highlight any lessons learned from this case, and recommend some possible changes that may benefit those agencies concerned.

This research is limited to the Foreign Military Sale of the Multiple Launch Rocket System. This research will be viewed as the FMS of a new production weapon system to a foreign government. References will be made to relevant laws, regulations, and policies which have application to the military assistance process. The agencies which contribute to the management of security assistance will also be discussed. This thesis will closely examine the details of the most recent FMS case involving the sale of the MLRS to the Government of Israel (GOI). Since some of the unique features of the Israeli FMS case are still pending, some information remains unavailable.

F. METHODOLOGY

Research included a thorough review of all available literature on the role of the Project Manager in the FMS process, and applicable laws, regulations and policies which govern the security assistance process. Roles of the various security assistance agencies were then reviewed in pertinent regulations. An historical and conceptual framework was then established regarding our relationship with Israel, both on a political and military level. Information was obtained from the Defense Logistics Studies Information Exchange (DLSIE) which pertained to the FMS process and

cases in general. Interviews were conducted with personnel from the following agencies/locations: U.S. Army Missile Command (MICOM), Defense Security Assistance Agency (DSAA), U.S. Army Security Assistance Command (USASAC), the Defense Institute for Security Assistance Management (DISAM) and the U.S. prime contractor for the MLRS, Loral-Vought Systems, Dallas, TX.

After all of the information was gathered and the research completed, the information was coalesced to make a determination regarding the appropriate roles and responsibilities of the PMO and the security assistance agencies involved in FMS. Those determinations were then applied to the FMS case of the Multiple Launch Rocket System to Israel. Using this case as a basis, determinations were made as to whether the process worked properly, or whether changes to the FMS process should be made to improve efficiency. An examination of the ethical considerations which faced the PM in this case was also conducted and discussed. Analysis of the effects of the FMS process on the industrial base was also given, from the perspective of both the contractor and the government. Some conclusions and lessons learned were then provided to enhance the security assistance management posture of the agencies concerned, with particular emphasis on the PMO.

G. ORGANIZATION OF STUDY

Chapter I discusses the purpose, background and objective of this thesis.

Chapter II reviews the U.S. security assistance philosophy, the FMS process, and the Foreign Military Financing Program (FMFP) as it applies to this case. This chapter will also serve to delineate the roles and responsibilities of the various security assistance agencies involved in the case.

Chapter III closely examines the FMS case of the MLRS to Israel and our relationship with them in terms of our evolving military attachment to them. It presents the details of the MLRS case and some of the peculiarities of the sale, as well

as the implications that were created as a result. The case was examined from the perspective of the PM, how the functional management roles were fulfilled, and whether the supporting security assistance agencies performed adequately.

Chapter IV closely scrutinizes the roles of the individual security assistance agencies, and determines whether the agencies met the needs of the PM in this endeavor. It closely examines each phase of the FMS process to determine whether the system has worked the way it was intended, or if adjustments are needed. It examines the functional management role of the PM and his staff throughout the process. This chapter also highlights some of the ethical considerations which faced the PM, and the implications of the sale on the industrial base, the contractor, and the government.

Chapter V provides some recommendations to improve the FMS and FMFP processes as they relate to the Project Manager and the security assistance community at large. It further outlines some of the functional responsibilities which should be established in the FMS process. It defines the functional management role of the PM and his relationship with the security assistance community. This chapter concludes with recommendations for further study.

II. SECURITY ASSISTANCE AND FOREIGN POLICY

A. BACKGROUND

The transfer of defense articles, defense services, military training, and economic assistance is by definition the providing of security assistance. These are the tools with which we carry out our foreign and national security policy. The following extract from the Bush Administration's 1993 budget request justification to Congress outlines the general objectives of security assistance and their direct linkage to foreign policy:

Our security assistance programs promote the full range of U.S. national interest by serving the following objectives:

- Increasing the ability of U.S. security partners to deter and defend against aggression, and to shoulder more of the common defense burden;
- Helping to maintain strong and cohesive defense arrangements with friends and allies, and to secure access to important military facilities around the world;
- Promoting regional stability by arms transfer controls of the volume and types of weaponry provided to security assistance recipients;
- Strengthening economies of countries with which the U.S. has a security relationship and, when necessary, helping those governments move toward market-oriented economic policies; and
- Fostering human rights, democratic values and institutions [Ref. 11: p. 1].

The current Administration also embraces this policy regarding security assistance, and has not made significant changes to its tenets.

The United States offers security assistance to strengthen the national security of friendly nations, support existing or prospective democratic institutions and market-oriented economies; it is not totally an altruistic effort on our part. In both its military and economic components, security assistance provides continuity in American foreign policy and helps build mutual security and stable relationships. A brief description of security assistance program components is provided below [Ref. 4:pp. 41-45].

B. U.S. SECURITY ASSISTANCE PROGRAM COMPONENTS

1. Foreign Military Sales (FMS) and Foreign Military Construction Sales Program

FMS is a non-appropriated program through which eligible foreign governments purchase defense articles, services, and training from the United States Government. The purchasing government pays all of the costs that may be associated with the sale. In effect, there is a signed government-to-government agreement (normally documented on a Letter of Offer and Acceptance (LOA)) between the U.S. Government and the foreign government. Each LOA is commonly referred to as a "case" and is assigned a unique case identifier for accounting purposes. Under FMS, military articles and services may be provided from Department of Defense (DOD) stocks, or from new procurement. Each is handled under applicable laws and regulations. If the source of supply is new procurement, on the basis of having a LOA which has been accepted by the foreign government, the U.S. Government agency or military department assigned cognizance for this "case" is authorized to enter into a contractual arrangement with the U.S. industry in order to provide the service or article requested.

Foreign Military Construction Sales involves the sale of design and construction services to eligible purchasers. The construction sales agreement and sales procedures generally follow the same procedures as FMS.

2. Foreign Military Financing Program (FMFP)

FMFP has undergone considerable changes in recent years. At present, the program consists of Congressionally-appropriated grants and loans which enable foreign governments to purchase U.S. defense articles, services, and training through either FMS or direct commercial sales (DCS) channels. The FMFP originally served to provide an effective means for easing the transition from grant aid to cash purchases. In recent years, however, the grant element has grown substantially. As a reference, the Congress provided a total of \$3.77 billion for the FY 1995 FMFP appropriation in the *Foreign Operations Appropriations Act* [Ref. 20:p. 1]. This represents a substantial investment by the U.S. taxpayer in the area of security assistance.

3. Direct Commercial Sales (DCS)

DCS is a direct commercial sale licensed under the Arms Export Control Act (AECA), made by U.S. industry directly to a foreign buyer. Unlike the procedures used for FMS, direct commercial sales transactions are not administered by DOD and do not involve a government-to-government agreement. Instead, the U.S. government "control" procedure is conducted through the office of Defense Trade Control in the Department of State. The FY 1995 DCS totals were estimated at \$3.56 billion [Ref. 20:p. 2].

4. The International Military Education and Training (IMET)

The IMET Program provides training in the United States, and in some cases training in overseas U.S. military facilities, to selected foreign military and related civilian personnel on a grant basis. While this program has relatively moderate costs,

it has a tremendous amount of importance attached to it by the Executive Branch of Government. The Fiscal Year 1995 appropriation of \$25.5 million gained the government tremendous returns in the area of engagement and involvement with foreign governments [Ref. 20:p. 2]. A typical IMET program costs \$100,000 a year or less; only 14 programs cost more than \$1 million, and even the largest is less than \$3.4 million. An IMET program consists of all of the military education and training for a particular country during a year. Over 5,000 students from nearly 100 countries are trained each year with IMET funds. For many U.S. Ambassadors or regional military Commanders in Chief, the benefit of a small IMET program has often advanced much larger American interests, such as trade and investment or political cooperation.

5. The Economic Support Fund (ESF)

The ESF was established to promote economic and political stability in areas where the U.S. has special and security interests and where the U.S. has determined that economic assistance can be useful in helping to secure peace or to avert a major economic or political crisis. ESF is a flexible economic instrument which is made available on a grant or loan basis for a variety of purposes, including balance of payment support, infrastructure, and other capital and technical assistance development projects. While a substantial amount goes for balance of payment type aid, the ESF also provides for programs aimed at primary needs in health, education, agriculture, and family planning. Congress has also made it clear that the funds from this account should be used, to the maximum extent possible, for the development of, and support to equitable growth that helps to meet the basic needs of the poor. ESF accounted for a sizable \$2.37 billion in FY 1995, but its effects were extremely far-reaching [Ref. 20:p. 2]. The fund is administered by the Agency for International Development (AID) under the policy direction of the Secretary of State.

6. Peacekeeping Operations (PKO)

PKO was established to provide for that portion of security assistance devoted to such programs as the Multinational Force and Observers (MFO) and the U.S. contribution to the United Nations Forces in Cyprus (UNFICYP). Appropriations for PKO amounted to \$75 million for FY 1995 [Ref. 20:p. 2]. Other programs supported with these funds included U.N. peacekeeping operations in Bosnia, El Salvador, Russia, and Haiti.

7. Non-Proliferation and Disarmament Fund (NPD)

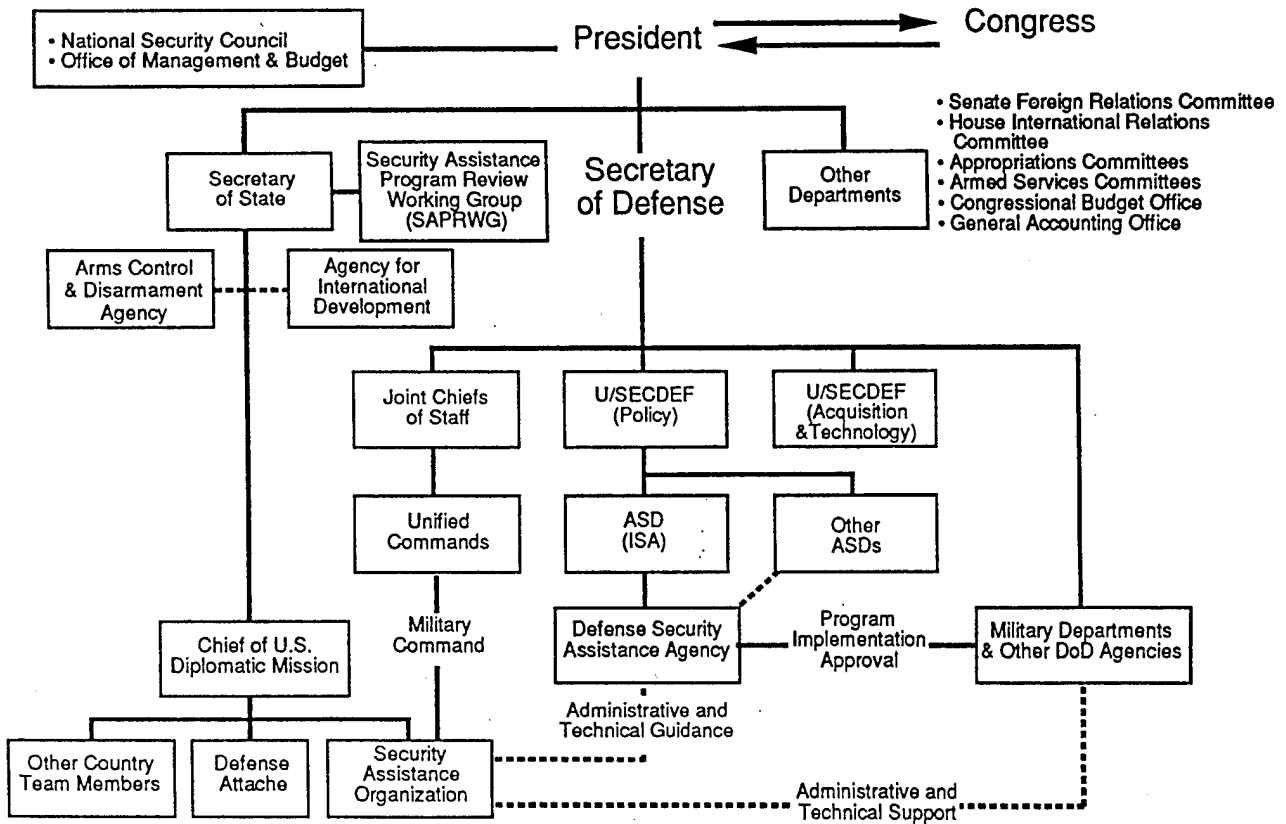
The NPD was implemented in 1994 to deter the proliferation of weapons of mass destruction. Funding has been set aside to reduce and restructure Russia's strategic nuclear force, and also support the denuclearization of Ukraine, Belarus, and Khazakhstan. It will also establish controls for destabilizing weapons systems and promote control and security in regions of tension. The FY 1995 appropriation for NPD was \$50 million [Ref. 20:p. 2].

C. U.S. GOVERNMENT ORGANIZATIONS FOR SECURITY ASSISTANCE

The foundation of the U.S. security assistance program is the law which contains the security assistance authorizations, appropriations, restrictions, and reporting requirements. These laws reflect how the three branches of the federal government interact and how the process of security assistance is accomplished. To further explain this relationship, a brief discussion of the roles of each branch with regard to security assistance is presented below [Ref. 4:pp. 76-82]. Figure 1 depicts the U.S. government organization for security assistance.

1. Executive Branch

The Executive is the most heavily-involved branch of government in the area of security assistance programs.



Source: The Management of Security Assistance, DISAM, 1995.

Figure 1. United States Government Organization for Security Assistance

It is not only responsible for the foreign policy direction of the federal government, but also for the implementation of the various aspects of our security assistance programs. The Executive Branch organizations which impact upon the process of implementing security assistance are discussed below.

a. Office of the President of the United States

The Constitution establishes the President as the Chief Executive and, by inference, the chief arbiter in matters of foreign policy. The President may also, with the consent of the Senate, enter into treaties with other nations or organizations on behalf of the United States. The President may appoint and receive ambassadors, and conduct any of the functions required to carry out U.S. foreign policy. It is the President who recommends the annual U.S. security assistance program/budget to the Congress for its consideration, and executes the program once it becomes law. Finally, the President maintains oversight authority for the security assistance program in its entirety. Within the Executive Office of the President, the two organizations which impact security assistance programs are the National Security Council (NSC) and the Office of Management and Budget (OMB).

b. Department of State

The Secretary of State has a statutory responsibility to provide continuous supervision and general direction of economic and military assistance, military education and training, as well as overseeing sales and export programs. The Secretary has responsibility to oversee the conduct of existing security assistance programs, determining whether new programs are needed, as well as ensuring that current programs are properly administered. The primary agencies which have cognizance in the security assistance area within the Department of State are the Bureau of Politico-Military Affairs and the Arms Control and Disarmament Agency (ACDA). Within the Bureau of Politico-Military Affairs, the Office of Defense Trade

Controls is responsible for the licensing of exports of arms and materials on the U.S. Munitions List, issuing the International Traffic in Arms Regulations (ITAR), and preparing the commercial sales reports which are required by Congress. The Office of Defense Relations and Security Assistance, also within the Bureau of Politico-Military Affairs, is responsible for the day-to-day direction of the Security Assistance Program. It reviews all security assistance matters which require State Department attention, and serve as the link between the State Department and Defense Security Assistance Agency (DSAA).

c. Department of the Treasury

The role of the Treasury Department in the management of security assistance matters falls into three major functions. These are: Financial Agent, Arms Import Control Agent and Export Control Licenser. As Financial Agent for the U.S. government, the Treasury Department has responsibility to monitor the Foreign Military Sales Trust Account. It also has a fiduciary interest in the appropriated programs of security assistance as well. The Arms Control Export Act confers upon the President the function of controlling the *import* of arms, ammunition, and implements of war, including technical data, into the United States. This function has been delegated from the President to the Secretary of the Treasury (Bureau of Alcohol, Tobacco and Firearms). The designation of *defense articles or services* subject to import control must have the concurrence of the Secretaries of State and Defense [Executive Order No. 11958]. The U.S. Customs Service, Department of the Treasury, is responsible for monitoring munitions control, export licenses and their use.

d. Department of Commerce

The U.S. Commerce Department is involved in security assistance management in many ways. It is the oversight agency for dual-use technology, for

which items are maintained on the Commodity Control List. The U.S. Commerce Department is also heavily involved in issues of technology transfer. It serves as the oversight agency of the Executive Branch regarding transfer of technology and dual-use technology matters.

e. Department of Defense

The Secretary of Defense has the responsibility bestowed upon him by the Foreign Assistance Act (FAA) and the Arms Export Control Act (AECA) for the following security assistance functions:

1. The determination of military end-item requirements
2. The procurement of military equipment in a manner which permits its integration with service programs.
3. The supervision of end-item use by recipient countries.
4. The supervision of training of foreign military and related civilian personnel.
5. The movement and delivery of military end-items.
6. The establishment of priorities in the procurement, delivery, and allocation of military equipment.
7. Within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance, education, training, sales, and guarantees.

The DoD agency which interprets executive policy and develops Defense Department security assistance policies and programs is the Defense Security Assistance Agency (DSAA). The DSAA is a separate agency under the direction, authority, and control of the Under Secretary of Defense for Policy and receives

policy direction and staff supervision from the Assistant Secretary of Defense (International Security Affairs). The principle functions of the DSAA include:

1. Administration and supervision of security assistance planning and programs;
2. Coordination of the formulation and execution of security assistance programs with other governmental agencies;
3. Conducting international logistics and sales negotiations with foreign countries;
4. Serving as the DoD focal point for liaison with U.S. industry with regard to security assistance activities;
5. Managing the credit financing program;
6. Developing and promulgating security assistance procedures, such as the Security assistance Management Manual (SAMM);
7. Developing and operating the data processing system and maintaining the macro database for the security assistance program; and,
8. Making determinations with respect to the allocation of FMS administrative funds.

The Defense Department also has oversight responsibility for all of the overseas Security Assistance Offices (SAOs), although these organizations are not in the Defense Department. SAOs manage all of the aspects of country security assistance programs to include fiscal, logistical and contractual functions.

f. Department of the Army

The Department of the Army (DA), Assistant Deputy Chief of Staff for Logistics (Security Assistance), [ADCSLOG] (SA) is responsible for providing oversight to the process of implementation of all Army security assistance activities, to include LOA development during the FMS process. The U.S. Army Material

Command (AMC) is responsible for the proper implementation, administration, execution and management of Army FMS cases.

The U.S. Army Security Assistance Command (USASAC) is subordinate to AMC and is responsible for implementing all FMS activities. Regarding FMS cases, USASAC reviews all FMS cases for completeness and accuracy and forwards them to DSAA for approval.

The U.S. Army Missile Command (MICOM) Security Assistance Management Directorate (SAMD) serves as the focal point for the preparation and administration of the FMS program [Ref. 37:p. 2]. Also co-located with MICOM is the Program Executive Office (PEO), Tactical Missiles. It is incumbent upon the Project Manager to work closely with the MICOM SAMD on matters regarding security assistance and FMS/FMFP transactions. Figures 2 and 3 depict the U.S. Army organization for security assistance, and the organization of Program Executive Offices, Tactical Missiles, respectively.

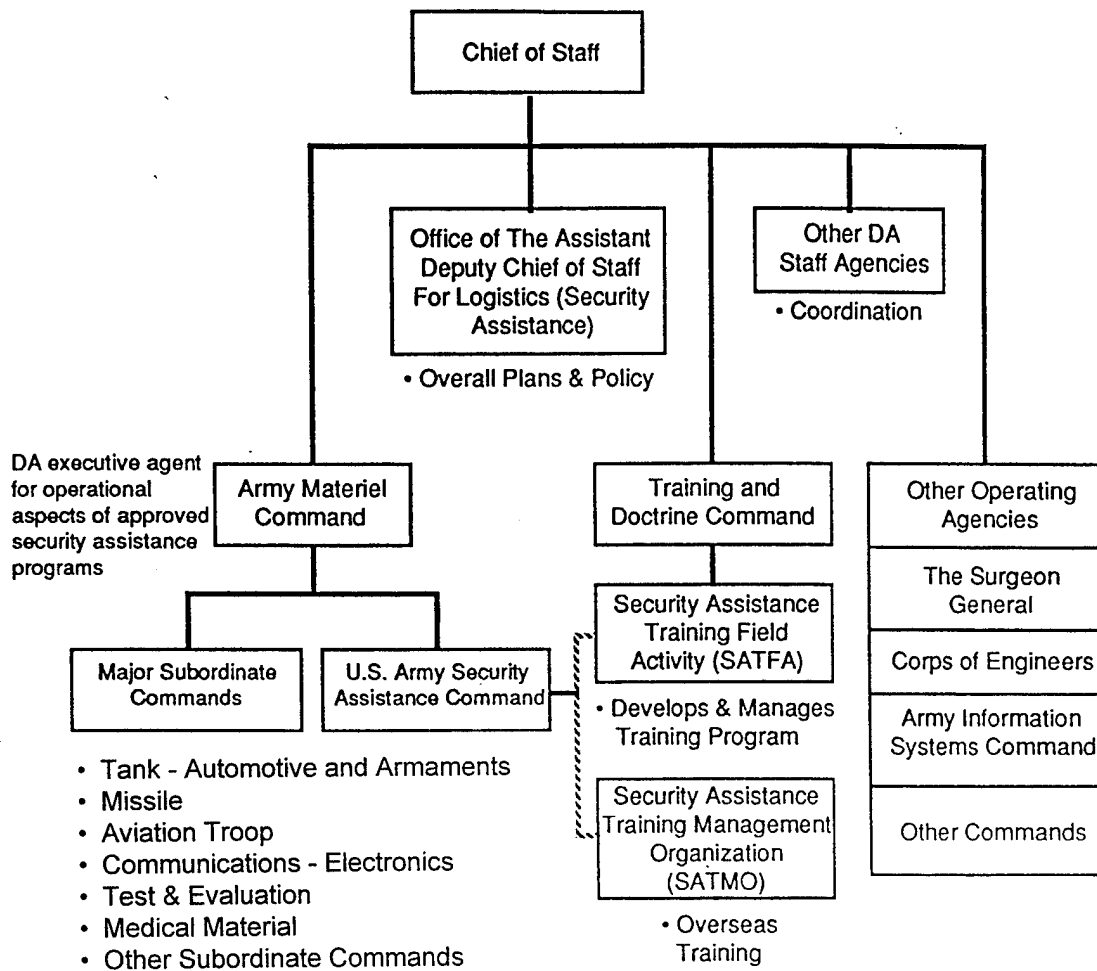
g. Other Services

The other services are similarly staffed to support their own security assistance efforts.

2. Legislative Branch

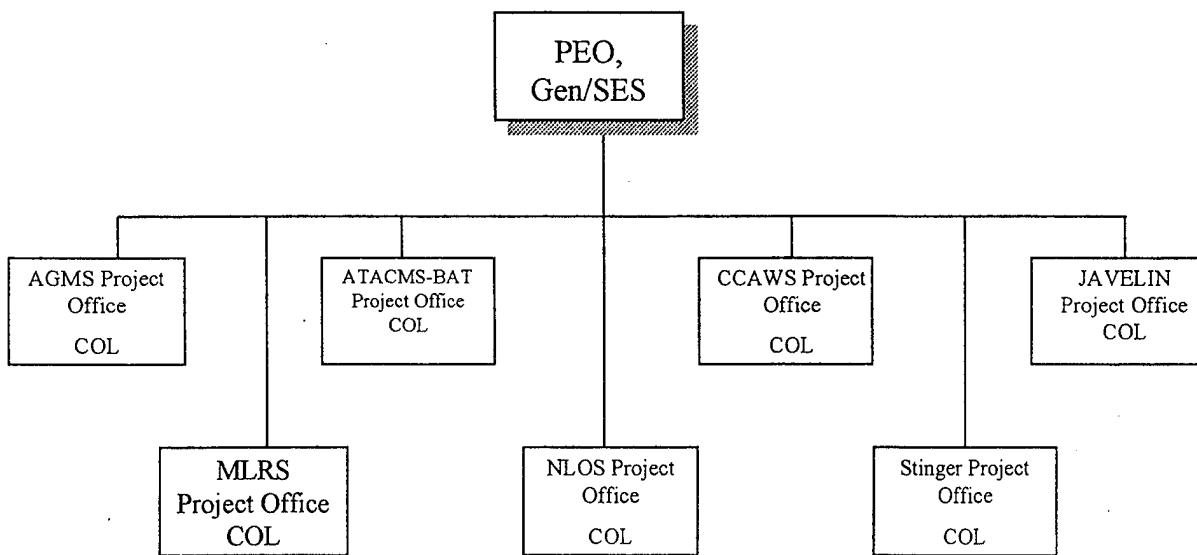
In terms of security assistance, Congressional power and influence are exerted in several ways [Ref. 4:p. 78]:

1. Development, consideration and action on legislation to establish or amend basic security assistance authorization acts;
2. Enactment of appropriations acts;
3. Passage of Joint Continuing Resolutions to permit the incurrence of obligations to carry on essential security assistance program activities until appropriation action is complete.



Source: The Management of Security Assistance, DISAM, 1995.

Figure 2. U.S. Army Organization for Security Assistance



Source: PEO, Tactical Missiles

Figure 3. Program Executive Office (PEO), Tactical Missiles

4. Conduct of hearings and investigations into special areas of interest, to include instructions to the General Accounting Office (GAO), the Congressional Budget Office (CBO), and Congressional Research Service (CRS) to accomplish special reviews;
5. Review of proposed arms transfers (FMS, DCS, Third Country Transfers, and Leases);
6. Ratification of treaties which may have security assistance implications.

The primary committees of the Congress with security assistance legislation responsibility are:

a. Authorizations

1. House of Representatives, Committee on Foreign Affairs (with various Subcommittees); and,
2. Senate Committee on Foreign Relations (with various Subcommittees).

b. Appropriations

1. House of Representatives, Committee on Appropriations (Subcommittee on Foreign Operations); and,
2. Senate Committee on Appropriations (Subcommittee on Foreign Operations).

3. Judicial Branch

Normally, the courts have had limited involvement in the day-to-day activities of security assistance, but since several clauses of the AECA were invalidated by the U.S. Supreme Court (*Immigration and Naturalization Service v. Chadha [1983]*), their involvement has grown. Judicial involvement may also become possible when a contractor provides goods or services under a DoD contract for an FMS customer to resolve a dispute.

D. SECURITY ASSISTANCE LEGISLATION AND POLICY

Four of the seven security assistance programs must be authorized and approved. These are: Foreign Military Financing Program (FMFP), the International Military Education and Training (IMET) program, the Economic Support Fund (ESF), and Peacekeeping Operations (PKO). Appropriation authority is not required for FMS or DCS, since appropriated funds are not used in these types of transactions.

1. The Foreign Assistance Act

The Foreign Assistance Act (FAA) was originally enacted on 4 September 1961 to provide broad guidance over a number of security assistance programs. Today, it is the authorizing legislation for IMET, ESF, PKO, overseas security assistance program management, transfer of excess defense articles (EDA), and other foreign assistance programs.

2. The Arms Export Control Act (AECA)

The AECA came into being under the title of Foreign Military Sales Act (FMSA) of 1968. Prior to 1968, foreign military sales came under the FAA. The International Security Assistance and Arms Export Control Act of 1976 changed the title of the FMSA to the AECA. The AECA is the statutory basis for the conduct of FMS, funding for FMFP, and the control of commercial sales of defense articles and services.

E. ETHICS AND STANDARDS OF CONDUCT

1. Conduct of DoD Personnel in Security Assistance Positions

The affairs of the United States Government, including security assistance and foreign military sales, are conducted by persons appropriately authorized to act on behalf of the Government. "The responsibility of those so authorized is akin to that of the fiduciary, i.e., a person holding a special relationship of trust, confidence, or duty to act primarily for another's benefit". [Ref. 4: p. 459] Under Title 18, United

States Code, Graft and Bribery laws are enforced in federal courts. Bribery is the corrupt giving or offering of anything of value to a public official with intent to:

1. Influence official acts;
2. Have him perpetrate fraud or set up the opportunity for fraud; or
3. Have that official do anything contrary to his public duty.

The reciprocal of bribery is graft - the seeking by a public official of something of value in order to assure that his public acts will conform to those desired by the prospective donor. Both bribery and graft are prohibited by Title 18.

2. Joint Ethics Regulation (JER), DoD 5500.7-R

This regulation serves as the single source on standards of ethical conduct and ethics guidance for all DoD personnel. Some of the areas that are covered in the JER that are related to security assistance and specifically foreign military sales are:

1. Ethical Conduct
2. Official and personal participation in non-official activities
3. Travel Benefits
4. Conflict of Interest

This regulation gives broad guidance to DoD employees in routine matters where ethical questions may be raised, but the JER does not specifically address conduct with foreign governments as it relates to FMS or security assistance.

F. SUMMARY

American leadership requires that we are prepared to back our diplomacy with credible threats of force. To this end, the U.S. military remains the most powerful, effective fighting force in the world. When our vital interests are at stake, we will be

prepared to defend them alone. In some instances, we can leverage our power and resources through alliances and multinational institutions. We have a stake in helping our allies to strengthen their own defenses so that they can share the common defense burden. Through the seven components of our security assistance program (Foreign Military Sales and Foreign Military Construction Sales, Foreign Military Financing Program, International Military Training and Education Program, Peacekeeping Operations, Economic Support Fund, and the Non-Proliferation and Disarmament Fund) we accomplish our foreign policy objectives worldwide. The relative importance of these programs cannot be understated, especially in times of shrinking domestic defense budgets, and defense industrial base. The U.S. is constantly looking to strengthen the security of our allies and promote the benefits of free markets and open societies. The laws which govern us in implementing our policies abroad serve as the foundation for these programs. Participation by the members of the Executive, Legislative, and Judicial Branches of our government ensures that our policies are carried out with legitimacy. The U.S. is the world leader in many areas, including arms export and control, due principally to our commitment to supporting the democratic goals of our friends and allies.

III. THE FOREIGN MILITARY SALES CASE: MLRS SALE TO ISRAEL

A. PURPOSE

This chapter reviews the history of our relationship with Israel, both on a historical level, and from the perspective of our foreign policy with that country. It reviews the policies and processes involved in the FMS of the Multiple Launch Rocket System. The FMS process is structured and evaluated as the LOA is developed and passes through successive stages. The chapter concludes by presenting some of the significant aspects, and unique features of the FMS case of the MLRS with Israel.

B. U.S.- ISRAELI RELATIONS

1. History

In the American system of foreign policy, the President has the ultimate decision-making power; and all other actors have supporting roles. This does not imply that what a President wants done can always become reality. The various elites with whom the chief executive must contend in framing the foreign policy direction of the nation cannot be ignored. The information they communicate, the views they espouse, and the personal agendas they pursue are critical to what presidents understand, and decide to do in the conduct of foreign affairs. When they disagree among themselves or with the president, as happened during the Truman administration, during the first Nixon administration, and in the first years under Reagan, the presidential direction given U.S. policy toward the Middle East may seem weak, indecisive, and even incoherent [Ref. 12:p. 14]. On the other hand, when there is unity at the top, as in Reagan and Nixon's second terms or under the Carter administration, U.S. policy will have a very clear direction. Even when U.S. policy has very clear direction, this does not by itself ensure that it will achieve the results

hoped for. Thus, while the policies framed by the Carter administration proved fruitful, the policies under Eisenhower did not [Ref. 19:p. 112].

The U.S. record regarding the Middle East does not seem to support the conventional wisdom that the United States helps Israel because of the influence brought to bear on the executive branch by the leadership of the U.S. Jewish community. U.S. policy decisions with respect to Israel have been made by presidents and foreign policy advisors by themselves, for their own purposes. It may be argued that when the United States did not see Israel as supporting the U.S. interest in stemming the expansion of Soviet influence in the region, it did not help Israel. This was true during the Truman and Eisenhower years. Eisenhower shut off access to the White House by leaders of the Jewish community, keeping Israel at arms length, and courted Arab leaders in an effort to form an anti-Soviet coalition. [Ref. 12:p. 27] The Kennedy and Johnson administrations warmed the chilly relations between the U.S. and Israel, but did not significantly increase assistance to Israel. U.S. leaders, beginning with Nixon and Kissinger, decided that Israel could be an asset in the struggle with radical Arabs who were perceived as Soviet clients, and began supporting Israel with economic assistance.

Between the 1967 and 1973 Arab-Israeli wars, U.S. assistance to Israel had been limited, and fallen far short of Russian assistance to Egypt and Syria. When Egypt attacked on Yom Kippur in 1973, Nixon and Kissinger decided to go all-out to provide the assistance necessary for Israel to repulse the Syrian-Egyptian attack. It was the position of the administration that the United States could not allow Soviet clients armed by the U.S.S.R. to defeat a U.S. client armed by the United States. Those Arab client states who would be victorious over Israel would then be beholden to the Soviet Union for their victory. Soviet influence in the region would then grow

at U.S. expense. An Arab defeat in such a scenario would prove that Russian assistance would always be insufficient to meet Arab goals, and that only the United States could help them to achieve what they wanted. While the combatants fought, the Soviet Union poured help to her clients, while the U.S. poured assistance to Israel. The level of assistance was raised to seven times what it had been the previous year [Ref. 12:p. 35]. The United States won hands down, and Israel won the war. The United States dominated the diplomacy of the region and the Russians were excluded from the Middle East peace process. It was a great victory for U.S. "diplomacy".

The peace process has dragged on through several administrations. During the Nixon administration the Israelis began their withdrawal from the territory they captured in the war. During the Ford Administration they returned the critical passes into the Sinai and the areas captured in the Golan Heights. During the Carter Administration they agreed to return all of the Sinai and offered autonomy to the Palestinians on the West Bank. During the Reagan Administration they withdrew from the Sinai. Progress toward Middle East Peace has continued through the Bush and Clinton Administrations, and U.S. economic assistance is closely tied to that progress.

In his speech given one week after the historic signing of the peace agreement between the State of Israel and the Palestine Liberation Organization (PLO), in 1993, Secretary of State Warren Christopher summed up the relationship between the U.S. and its Middle East neighbors with the following remarks:

For more than 45 years, Democratic and Republican Administrations have worked tirelessly to break the cycle of violence between Israel and its Arab neighbors. They did so because they understood that the United States has enduring interests in this historic and strategic crossroads; enduring interests in a region where conflict always threatens world peace; enduring interests in the security and well-being of Israel and in cooperative relations with the Arab world; and enduring

interests in the region's oil reserves which serve as the lifeblood of much of the global economy. These enduring interests have made Middle East peace a constant and essential goal of U.S. foreign policy. For decades, the goal eluded us. The region remained a tinderbox, threatening to engulf us in its deadly wars. The volatility was due in no small part to the existence of a Soviet Union determined to fuel the forces of radicalism and conflict. While the Soviets by no means caused the Arab-Israeli dispute, they did everything in their power to see that the region remained at a constant boil. Their policies emboldened radicals, intimidated moderates, and left Israel—save for its friendship with the United States—in a lonely state of siege. [Ref. 5:p. 15]

Later in that same speech, Secretary of State Christopher also added:

I reiterate a simple but profound truth: only an Israel that is strong, confident, and secure can make peace. Only an Israel that is certain of its strategic partnership with the United States can take the necessary risks. On behalf of President Clinton and the American people, I restate a long-standing pledge to the Israeli public: as you and your leaders continue down the courageous path you have chosen, you should know that America's commitment to Israel's security and well-being will remain unshakable.

It is clear that the U.S. is committed to ensuring that the State of Israel maintains a strong, well-equipped military deterrent capability, while it fully participates in a fruitful peace process with its Arab neighbors. To this end, the U.S. provides on an annual basis, over \$4 Billion in military and economic support for Israel and Egypt, and has done so for the past 12 years. Such levels of assistance, while considerable, are representative of the U.S. commitment to peace in the middle east, and the security of Israel. The level of importance with which the U.S. views its strategic relationship with Israel, accompanied by the growing expectation by Israel that the U.S. will continue to provide rather substantial levels of support to U.S.

interests in the region, have created an evolving relationship unlike any other in the service of the U.S. security assistance community.

2. Israel at Present

Israel has established itself in a unique partnership with the most powerful nation in the history of civilization. It has become a benefactor of all of the wealth and power which is at the disposal of the United States, and has deftly established itself as one of our strongest allies. As a nation, it knows the importance of the relationship that it has with the United States. It demonstrated unparalleled restraint during the Gulf War, and since then it has enjoyed the benefits of having done its part to keep the U.S.-led coalition intact. No other nation has been as successful at gaining favor with the United States as Israel. Today, the U.S. provides more funds on FMS and ESF programs for Israel than any other nation in the world [Ref. 1:p. 28]. Israel enjoys this relationship with the U.S. and goes to extraordinary lengths to safeguard it, knowing that the future of this relationship is tethered to a fragile Middle East peace.

3. A Look Toward the Future

In the months following the Gulf War, the Chairman of the Joint Chiefs of Staff, General Colin Powell, said that our relationship with Israel was "symbolized by the strategic cooperation between both countries, cooperation that benefits both of our countries, cooperation that will continue, cooperation that will grow." Defense Secretary Cheney said that U.S.-Israeli cooperation prior to, and during the Gulf War, "contributed significantly to the allied effort against Iraq." He also added that the entire Gulf experience "was a demonstration of the value of maintaining Israel's strength, and her ability to defend herself, and also the value of the strategic cooperation between our two countries" [Ref. 19:p. 145]. Such high praise was reinforced by decisions to strengthen the strategic partnership of the two countries

with various military programs of strategic importance. In May, 1991 a formal agreement was reached on the funding of the second stage (essentially Phase II, Engineering & Manufacturing Development) of the Israeli Arrow Anti-Tactical Ballistic Missile (ATBM) program. In addition, the U.S. announced that it would provide Israel with ten used F-15A fighters, worth about \$65 million, as part of a special \$700 million drawdown program which had been authorized by Congress the previous year. To that point, the administration had not acted on the authorization. Of greatest significance, was the announcement by the Defense Secretary that the U.S. was pre-positioning significant stockpiles of military equipment in Israel, for use in any regional conflict. While U.S. and Israeli officials had secretly agreed to store such stockpiles in Israel years before, this was the first high-level affirmation of such plans. The hardened underground bunkers were already in place when the announcement was made [Ref. 19:p. 133].

The announcement served to help break down the barriers of both direct military-to- military strategic cooperation and fears of alienating the Arab world. The announcement also seemed to indicate that U.S. interests were not shifting away from Israel and toward the Arab world, but rather that the U.S. was as committed as ever to a strategic partnership with Israel.

It may happen that the future relationship between the U.S. and Israel will become more formalized. However, it is just as likely that the relationship will continue without the implementation of a formalized defense treaty. While the subject does periodically arise, the trend has been to rely less upon formal, written treaties, and more upon informal relationships and agreements. Perhaps one possible evolution might be for the U.S. to enter into an agreement to come to the assistance of Israel only under specific circumstances. Such an agreement might then require a full and comprehensive Arab-Israeli peace to ensure U.S. participation. Another

consideration of our future strategic posture regarding Israel and the Middle East might be to re-configure the U.S. Central Command (CENTCOM), to involve Israel more directly. The pre-positioning of equipment in Israel tends to support such a possibility. This idea would require that Israel be assigned a role in U.S. defensive planning for the region.

Alternatively, the future may also bring a strategic cooperation that is quietly cut back or stripped of its meaning and significance. Reduced procurement dollars for military equipment and construction programs, or even fewer training exercises in, and fewer ship visits to, Israel could become an eventuality.

The future of our strategic relationship with Israel will be based upon three basic principles: (1) How the United States defines its strategic interests in the Middle East in the future; (2) What military requirements and capabilities the U.S. will need in the region; (3) Whether there is the political will in the United States to expand cooperation with Israel [Ref. 19:p. 192].

C. FOREIGN MILITARY SALES PROGRAM

1. Background

As one of the seven components of security assistance, FMS allows for the sale of defense equipment to foreign governments. It is a non-appropriated program through which the U.S. government may, for U.S. dollars, enter into contracts for the procurement of defense articles or defense services for sale to a foreign country. [Ref. 4:p. 253] One of the restrictions that is placed on this program is a legislatively mandated "no-loss" concept and an administratively mandated "no-gain" policy, thus the customer country must pay all of the costs that may be associated with the sale. The customer country is also responsible to pay administrative charges which reflect the U.S. government's recoupment of expenses of sales negotiations, case implementation, program control, and accounting and budgeting. Standard administrative

charges include: Cooperative Logistics Supply Support Arrangement (CLSSA), 5% of the basic sales price; Non-standard items, 5% of the basic sales price; and all other FMS orders, 3% of the basic sales price [Ref. 4:p. 292].

Foreign Military Sales have become an increasingly-important part of the U.S. security assistance program, especially as the Defense Department experiences reductions in force structure. The importance of the Foreign Military Sales portion of the normal acquisition cycle is also growing in importance, both for the U.S. Defense Department and, to a greater degree perhaps, the defense contractor. The Defense Institute for Security Assistance Management Journal reports that there are currently \$228.7 Billion worth of open FMS cases, and that it would take nearly 70 years to close out all of the open cases, given the average case closure rate of \$3 Billion per year for the previous three years [Ref. 5:p. 78]. In a recent interview with a high-ranking defense contractor who has been involved in the Israeli purchase of the MLRS, he indicated that, "FMS represents 30% or more of his business, and that his expectations are that the figure will grow."

2. Legislation

The legislation that governs the FMS process includes provisions from the Foreign Assistance Act and the Arms Export Control Acts. The relevant FMS stipulations of these laws that have application to this research are cited below:

a. Conditions of Eligibility for FMS

All foreign governments and international organizations are subject to conditions of eligibility before a FMS agreement can occur. These include: defense articles may not be sold to foreign governments or international organizations unless, the action improves the security posture of the U.S. Government; the customer country must be approved by Congressional action; and upon procurement, the

customer country must agree to **not** transfer title of the purchased equipment to an unauthorized third party [Ref. 24:p. 725].

b. Overseas Management of Assistance and Sales Programs

The President may assign any member of the Armed Forces to an overseas Security Assistance Organization (SAO) for the purpose of implementing the equipment and services case management. There is also a direct correlation between the role of a SAO and the type and magnitude of a country's security assistance program. Those countries with a large FMS, FMFP and IMET programs, and those in which the U.S. has definitive strategic or political interests, generally will have influential and visible SAOs. Conversely, in those countries where programs are small, or which are largely self-sufficient in Foreign Military Sales matters, the role and importance of the SAO will be less significant. However, the importance of a program vis-à-vis its size may be relative; in some countries, a small program can be as meaningful and politically influential as larger programs in other countries. Personnel in these SAO positions are responsible for the following activities: [Ref. 4:p.102].

1. Monitoring the host country's equipment capabilities.
2. Providing assessments of the equipment in terms of the host country's needs.
3. Providing all U.S. equipment information requested by the host country.
4. Ensuring that the FMS agreement is implemented in accordance with the desires of the host country.

c. Procurement Sales

The U.S. government may procure defense items for the customer country, if the country agrees to pay the full amount of the purchase cost. Such

transactions are reimbursed through an FMS agreement between the recipient country and the U.S. Government.

3. FMS Policies Impacting Upon the Sale of MLRS

In addition to the Federal laws which govern security assistance, it is also important to understand the policies of the Departments of State, Commerce, and Defense which impact security assistance programs.

a. State Department Policies and Regulations

In the case of the sale of the Multiple Launch Rocket System, the International Traffic In Arms Regulation (ITAR) requires that an Export License be obtained, since the MLRS is on the U.S. Munitions List, specifically:

Category IV - Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs and Mines

... (a) Rockets (including but not limited to meteorological and other sounding rockets), bombs, grenades, torpedoes, depth charges, land and naval mines, as well as well as launchers for such defense articles, and demolition blocks and blasting caps.

... (b) Launch vehicles and missile and antimissile systems including but not limited to guided, tactical and strategic missiles, launchers, and systems. [Ref. 29:pp. 202-7]

The ITAR stipulates that since this system is on the U.S. Munitions List, the sale of the MLRS comes under the jurisdiction of the State Department for export control.

b. Defense Department Policies

The DOD Security Assistance Management Manual (SAMM) 5105.38-M establishes the DOD policies which are relevant to the conduct of Foreign Military Sales. The manual states that FMS of U.S. defense equipment to foreign governments should only be approved when consistent with U.S. foreign policy interests. Additionally, marketing of defense products should be left to defense contractors,

unless specifically approved in advance by the Defense Security Assistance Agency (DSAA).

DOD Manual 5105.38-M, Section 602 sets forth the policy and the commercial industry relationship with the in-country Security Assistance Officer (SAO). The SAO is the point of contact for commercial industries interested in marketing any defense equipment. The SAO is also responsible for assisting with the flow of information to potential customer countries. This activity is deemed a courtesy to the host government to help them determine whether to purchase through direct commercial sales or through Foreign Military Sales [Ref. 29:pp. 602-2].

c. Department of the Army Policies and Regulations

(1) Army Acquisition Executive Policy Memorandum #90-7, dated 30 November 1990: Subject: Security Assistance. This policy disseminates the Department of the Army position on security assistance with respect to FMS. It emphasizes the Army's commitment to security assistance program and encourages the Project Manager to integrate security assistance activities with DOD requirements in their respective programs. In addition, the policy promotes the support of FMS cases, and states that although marketing should be left to the contractor, *the PM should facilitate sales when possible.*

An addendum to this policy further clarifies the role of the PM with respect to certain agencies. The policy stipulates that the U.S. Army Material Command (AMC) is the Department of the Army executive agent for approved security assistance programs. This role is functionally carried out by the U.S. Army Security Assistance Command (USASAC), and AMC's major subordinate commands. Responsibilities of the PM regarding security assistance and these agencies are as follows: [Ref. 38:p. 1]

1. Participate in the development and execution of security assistance agreements.
2. Provide advice, assistance, and recommendations to the U.S. Army Material Command for the weapon systems.
3. Consider the possibility for development of an export model of the weapon system.
4. When it will enhance national security interests, provide the materials to demonstrate the weapon system to assist in either coproduction or sale of the item. This is accomplished in conjunction with U.S. Army Material Command (AMC).
5. Ensure that a continuing flow of information occurs between AMC, the major subordinate command security assistance activity, to U.S. Army Security Assistance Activity (USASAC) on projects having relevance to security assistance programs.

(2) **Army Acquisition Executive Policy Memorandum #91-4, dated 28 February 1991: Subject: Matrix Support Policy For Program Executive Office (PEO) Managed Systems.** This policy outlines the Department of the Army policy on FMS funding. It specifies that all FMS work should be resourced by FMS dollars through the major subordinate command matrix support [Ref. 36:p. 1]. With respect to the PM, Multiple Launch Rocket System, this translates into the Missile Command matrix support agencies supporting all FMS work. Further, if the PM must perform FMS work, any Memorandum of Agreement (MOA) between the Missile Command and the PM must include provisions for the reimbursement from the appropriate FMS accounts.

(3) **U.S. Army Regulation 12-8, dated 21 December 1990, Subject: Security Assistance Operations and Procedures.** This regulation specifies the policies and prescribe procedures for the sale of items of equipment and services to friendly nations.

(4) **Policy Letter, SUBJECT: FMS Case Management for Major Weapon Systems, dated 21 November 1988.** The Commanding General, U.S. Army Material Command (AMC), General Wagner defined the roles of the security assistance agencies that are involved in the implementation of FMS cases, and outlined their relative importance to the overall security assistance program. This policy is still in effect today and serves to complement both DOD and Army regulations on the subject of security assistance [Ref. 32].

d. U.S. Army Missile Command Policies

(1) **U.S. Army Missile Command Regulation 12-1, Foreign Military Sales (FMS) Program, dated 31 October 1991.** This regulation outlines the responsibilities of the various supporting directorates of the U.S. Army Missile Command with respect to FMS.

In addition, the regulation also defines the responsibilities of the Security Assistance Management Directorate regarding FMS cases. These responsibilities include:

- Development of LOA information to include:
 - * Price and availability information
 - * Establish and maintain case files
- Provide all planning information and documentation during the implementation of the LOA to include:
 - * Cost summaries and delivery schedules for both weapon and non-weapon mission essential items
 - * Processing of technical data requests and Technical Data Packages (TDP)
- Manage new FMS cases to include these functions:

- * Ensure proper financial accounting
- * Make any program changes, if needed
- * Requisition of concurrent spare parts
- Ensure that material is supplied and services are completed to include:
 - * Delivery to freight forwarder or customer country
 - * Assisting customer countries on technical matters
 - * Providing adequate Quality Assurance inspections [Ref. 37:p. 4]

(2) U.S. Army Missile Command Regulation 12-5, Security Assistance, Special Defense Acquisition Fund (SDAF), dated 26 February 1993.

This regulation outlines the policies and procedures for use of the special fund where material may be required ahead of the normal procurement lead times to satisfy urgent foreign government requirements. The Security Assistance Management Directorate (SAMDM) is again named as the focal point for the use of the SDAF, and generally coordinates all matters pertaining to the SDAF for MICOM [Ref. 30:p. 3].

4. Types of FMS Cases

There are several types of FMS cases that may be implemented in weapon system procurement. These are: (1) defined order, (2) blanket order, and (3) CLSSA. Many FMS cases are defined order cases, which specifically delineate the quantity and type of defense articles that are to be purchased, as stated in both the LOR and LOA. These cases are often referred to as "standard sales" cases by the U.S. Army. A blanket order is an agreement between the customer country and the U.S. *without* a definitive listing of items or quantities. This type of case is usually implemented by establishing a dollar ceiling against which the customer country is billed until the ceiling is reached. The third type of FMS case is the Cooperative Logistic Supply

Support Arrangement. This is the logistics support arrangement for follow-on sustainment of military hardware that is possessed by foreign countries. The CLSSA is one of the main reasons that many foreign customers enter into FMS arrangements with the U.S., to gain the benefits of our rather substantial logistics support network. [Ref. 16]

5. Methods For Fulfilling Equipment Sales

In general, there are two methods for fulfilling the requirements for equipment sales under FMS. This may be accomplished by either (1) selling equipment that is currently in the DOD inventory, or (2) through the purchase of new production equipment. In the case of the MLRS, since it is already in the U.S. Army inventory, the MICOM Security Assistance Management Directorate will assign a country manager to oversee the case. The MLRS Project Manager then provides the SAMD country manager the technical information that is needed to facilitate the sale with the customer country.

In the case of new equipment purchases, the SAMD will assign a country manager to provide oversight and assist with the sale during the FMS process. In general, the U.S. government procures the new equipment from the producer and then resells the equipment on a cash or credit basis to the foreign government, depending upon the FMS agreement [Ref. 17]. The security assistance community must make the determination, based upon the needs of the customer country, on how to satisfy those equipment needs. As an example, equipment that was originally slated to be delivered to the U.S. Army may be "bumped" by an urgent FMS case, but this would require extensive coordination of all of the security assistance agencies involved in the transaction. In such a case, permission for such an action would have to be granted by the Department of the Army, Deputy Chief of Staff for Operations (DA, DCSOPS). "Bumped" equipment would then be re-paid to DOD through the FMS

case. In either case, a production quantity change in the contract between the U.S. Government and the contractor would have to be consummated.

D. FMS CASE DEVELOPMENT

In order for a customer country to acquire an item of equipment such as the Multiple Launch Rocket System from the United States Government, the request for such an item of equipment must undergo a very detailed approval process. The following is an overview of the development of an FMS case, as it passes through the various stages of its lifecycle:

1. Stage 1. Letter of Request (LOR) Stage

During this stage of the FMS case, the customer country makes a requirements determination, and/or solicits information on system capabilities from the U.S. Government security assistance community. This when the PM may become involved, either by participating in weapon systems demonstrations, or by providing information briefings to prospective client countries. Once the customer makes a determination that they intend to proceed with the FMS case, they submit the Letter of Request to the appropriate security assistance agency. This LOR is addressed to the Department of the Army and information copies are sent to DSAA and Secretary of State [Ref. 4:p. 155]. DSAA then verifies that the equipment can be sold, that is, it verifies that the item is on the U.S. Munitions List and the Military Articles and Services List (MASL). Following review of the LOR, the U.S. Government must decide whether to accept or reject the request. If accepted, the LOR is forwarded to the MICOM Security Assistance Management Directorate. If rejected, the LOR is returned to the foreign government with the appropriate negative response.

2. Stage 2. Letter of Offer and Acceptance (LOA) Stage

The LOA represents a bona fide offer from the United States Government to enter into a contractual agreement with the customer country for the sale of the article

of defense equipment. When the LOR is received by the SAMD country or case manager, all of the documentation that is necessary to implement the FMS case is begun. The case is assigned the appropriate case number for proper accounting and classification purposes. In addition, the U.S. State Department prepares the appropriate Congressional notifications of the impending LOA. If the Congress does not move to block the sale of the equipment, the LOA is then sent to the foreign government for acceptance and signature. The customer country then has up to 60 days to sign and return the LOA and make the initial payment [Ref. 4:p. 154]. A LOA will typically provide a payment schedule, to which the customer country must adhere.

3. Stage 3. LOA Implementation

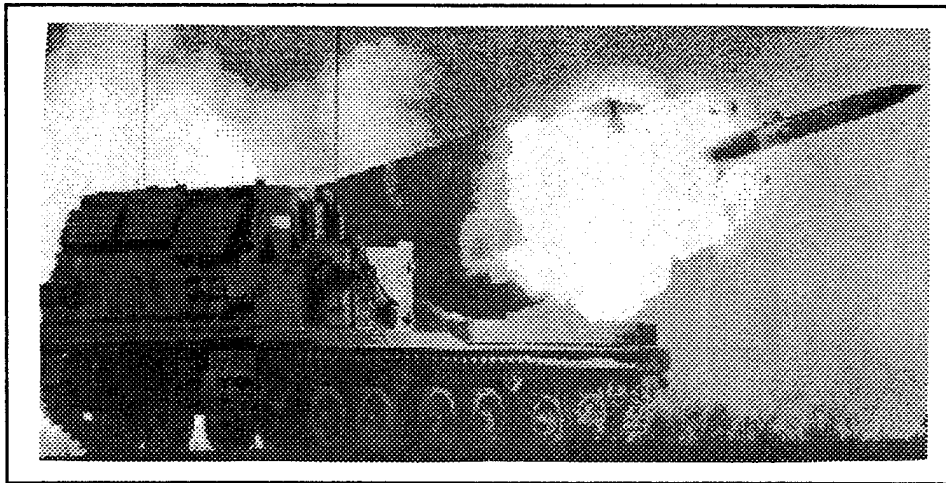
In the final stage, once the LOA is signed and the initial deposit received, the Defense Financial Accounting Service (DFAS) then releases the obligational authority for the Department of the Army to requisition the funds for case implementation. The SAMD country manager then initiates the purchase request to the appropriate contracting officer to execute the FMS case. At this time the PM is officially notified of the LOA implementation. This stage is concluded with the delivery of the equipment to the customer country.

E. FMS CASE OF THE MULTIPLE LAUNCH ROCKET SYSTEM TO ISRAEL

1. System Description

The Multiple Launch Rocket System is a free-flight, area fire, artillery rocket system that supplements cannon artillery fires by delivering large volumes of firepower in a short time against critical, time-sensitive targets. The basic warhead carries dual-purpose improved conventional submunitions. A growth program is under way to add the extended range rocket (ER-MLRS) to permit counterbattery

fires at greater distances. The MLRS M270 launcher has been updated to accommodate the MLRS family of munitions (MFOM), including the Army Tactical Missile System (Army TACMS) [Ref. 31:p. 1]. This is a basic system description of the MLRS as it is configured for the U.S. Army, and neither the ER-MLRS nor the ATACMS variants have been authorized for sale to Israel. Figure 4 shows the Multiple Launch Rocket System.



Source: MLRS Homepage.

Figure 4. Multiple Launch Rocket System

2. Background

Following the dramatic victory of the U.S.-led coalition in the Gulf War, many nations around the world looked at the technological superiority that was displayed by the U.S. military. Several of the weapon systems that were tested for the first time under combat conditions proved to be invaluable to battlefield commanders during that conflict. The MLRS was one such system. As the world looked on, the MLRS turned in a near flawless performance as an artillery system. It soon became known

as the "Field Artillery Weapon of Choice" in the international market. [Ref. 13] Since that time, at least six nations have sought to purchase the MLRS.

The U.S. Initial Operational Capability (IOC) for MLRS was achieved in 1983. In July 1989, the second multiyear contract was awarded for MLRS. In 1994 an annual procurement contract for 34 launchers was awarded. Starting in 1989, the MLRS has been co-produced by the United States, United Kingdom, Germany, France and Italy. As of last year, a total of 744 U.S.-produced launchers have been delivered, 656 to the active Army and 88 to the National Guard, and foreign military sales. Current plans for improvements to the system include the improved fire control system (IFCS), the improved mechanical launch system (IMLS) and the extended range rocket (ER-MLRS). The IFCS will mitigate electronic obsolescence currently growing in the fire control system, accommodate the needs of the MFOM weapon systems under development, and provide growth for future weapon systems. The IMLS will provide rapid response to time critical targets by reducing time to aim by 70% and by reducing reload time by 50%. The ER-MLRS will extend the current range of the basic rocket from 31.8 km to a new range of about 50 km. The IFCS, IMLS, and the ER-MLRS are in the Engineering & Manufacturing Development Phase. A single R&D contract will continue through FY 96 with the system's prime contractor, Loral Vought Systems, Dallas, Texas, and Camden, Arkansas [Ref. 31:p. 1].

3. The Israeli Approach to FMS

Since 1984, Israel has received \$1.8 billion annually in Foreign Military Financing (FMF) aid and is the largest recipient of FMF. Israel's Ministry of Defense (MOD) is the procurement authority, responsible for buying the military equipment required by the Israeli Defense Force (IDF). MOD has established a purchasing mission in New York, which is staffed by more than 200 personnel, to handle their

high volume of purchases of defense goods and services in the United States. Because of this unique arrangement, there are no SAO's stationed in Israel. Rather, Defense Attaché's assist with the MOD's in-country procurement issues. MOD also has representatives at defense plants and U.S. military installations to manage particular projects. As of this writing, the Israeli MOD had representatives at the offices of USASAC, New Cumberland, Pennsylvania, and were establishing an office at the Security Assistance Management Directorate at MICOM, at Redstone Arsenal, Alabama. The purchasing mission is responsible for soliciting bids, negotiating and awarding contracts, paying contractors, and requesting reimbursement from the U.S. Government. In addition, the mission employs a freight forwarder that obtains export licenses from the Department of State and Commerce and handles almost all shipments to Israel [Ref. 33:p. 9].

For it's part, the DSAA's Operations Directorate reviews commercial contracts for compliance with the agency's guidelines. The DSAA country desk officer reviews the request for conformance with the country's acquisition plan. After this review, the DSAA comptroller commits the funds and sends an approval letter to the country and the contractor. For Israel, however, coordination takes place between its purchasing mission in New York and U.S. officials in Washington.

There are four important differences between Israel and most countries in the rules and review process for commercial contracts. The rules for Israel differ, at least in part, due to the sheer volume of its commercial transactions - the purchasing mission processes about 20,000 purchase orders annually.

First, most countries must obtain DSAA approval before the contract is executed regardless of the contract value. For Israel, only contracts valued at over \$1 million require prior approval [Ref. 33:p. 10]. Israeli contracts of between \$50,000 and \$1 million are submitted to DSAA for approval after-the-fact on a monthly basis.

Contracts that are less than \$50,000 are not submitted to DSAA, but are retained at the MOD.

Second, for most countries, the total amount of a commercial contract must exceed \$100,000 to be eligible for FMF; Israel, however, can purchase commercially in any amount.

Third, most countries must submit, through the appropriate Defense Department channels, signed contractor certifications along with contracts, but Israel need only submit certifications for contracts over \$500,000. For lower-priced contracts, Israel obtains, but does not submit, modified versions of the contractor certification.

Finally, for most countries, the contractors submit invoices for payment to DSAA through the countries' defense attaches. For Israel, contractors submit invoices to MOD's purchasing mission in New York. Israel pays these with its own funds and then seeks reimbursement from the DOD, which releases the funds from Israel's interest-bearing account at the Federal Reserve bank. Then, on a semiannual basis, DOD's Security Assistance Accounting Center reviews a select number of the disbursements by examining the associated invoices retained at the purchasing mission [Ref. 33:p. 18].

Israel predominantly uses commercial contracts, although its use of FMS has increased in recent years in reaction to corruption uncovered in commercial contracting. For example, in 1989 Israel used 84 percent of its FMF, or about \$1.5 billion, to purchase directly from commercial vendors. By 1992, that figure was reduced to 60 percent, or about \$1.1 billion. Although the majority of the annual FMF allocation is spent in the United States, since 1984 Israel has been authorized to spend an increasing amount of its funds in Israel [Ref. 33:p. 31].

Commercial contracts financed by FMF have a history of impropriety, including fraudulent pricing schemes involving kickbacks and unreasonably high prices.

In 1991, Israel convicted one of its top officials, Air Force General Rami Dotan, of skimming \$40 million in FMF funds by submitting false purchase orders on an F110 aircraft engine logistical support contract with General Electric [Ref. 33:p. 33].

Due to the Israeli need for an effective counterbattery weapon system, the MOD began pursuing the MLRS shortly after IOC in the U.S. Army, in the mid-1980s. Political tensions were running high at that time for other reasons, and the sale was blocked by a member of the five nation consortium (U.S., U.K., France, Germany and Italy) [Ref. 35]. At the time, the sale required approval from all of the member nations. At about the same time, Israel was purchasing through the Foreign Military Financing program, the U.S. Firefinder counterbattery radar system. Israel had come under increasing rocket attacks from Lebanon, and even the West Bank, probably from Palestinian groups armed with Russian-made BM-21 Katushyn Rockets [Ref. 21:p. 2]. It was because the consortium could not agree to allowing Israel to purchase the system, that the LOR was refused for nearly 10 years.

Because of the tremendous success that MLRS enjoyed during the Gulf War, and in part due to the urgent Israeli need for a counterbattery weapon system to counter the regional threat they were facing, Israel began pursuing the MLRS in earnest following the coalition victory. With the political will of the United States behind the effort, the sale was pushed through and a LOA was consummated on 22 December 1993.

4. Case Implementation - Phase #1

The entire MLRS case was unique, in that it required delivery of 6 launchers within 12 months of the signing of the LOA. In addition, it required that training on the system would take place in the United States, at the U.S. Army Field Artillery Center and School at Fort Sill, Oklahoma. Such a compressed delivery and training schedule required extraordinary measures on the parts of both the U.S. Department

of Defense, especially the U.S. Army Training and Doctrine Command (TRADOC), the Israeli MOD, and the IDF. The first six launchers were originally intended for delivery to the U.S. Army National Guard, and had to be "bumped" to accommodate the Israeli contract. As previously mentioned, this required approval from the DA, DCSOPS. The first contract provided the necessary equipment to completely outfit a MLRS battery, complete with 10-ton ammunition trucks, communications equipment, 2 years worth of concurrent spare parts, and contractor-provided technical support, manuals, and rockets. [Ref. 25:p. 11]

During the conduct of the new equipment training at Fort Sill, many significant obstacles had to be overcome. These included overcoming the language barriers with the Israeli soldiers, and of greater significance, rapidly providing English versions of the plethora of technical support, operations, and maintenance manuals to the Israelis for translation into Hebrew. The U.S. does not include translation in its guarantees with purchasing nations, and only guarantees the English version of appropriate manuals [Ref. 25:p. 16]. The IDF soldiers required their own kosher diet, and special dietary arrangements were made to feed the soldiers. The unique requirements of hosting over 100 officers and enlisted soldiers of the IDF during the 10-12 months of equipment training provided a considerable logistical challenge to those involved.

Perhaps the most consequential characteristic of the Israeli case was its timing - the sale of the first set of 6 launchers literally saved the launcher and missile production line at the Camden, Arkansas, Loral Vought Systems plant from going "cold" [Ref. 15]. Had this occurred, the near-term cost increases to both the contractor and the U.S. government would have dramatically altered the course of events for future domestic and foreign sales of the MLRS. This development brought the stark realization of the overall importance that foreign military sales may have in a project's acquisition lifecycle.

The FMF agreement was a 57-page document that consisted of two pages of the signed agreement, complete with payment schedule, and thirteen pages of listed items of equipment and quantities/estimated prices. The remaining 42 pages of the LOA consisted of terms, provisions and special definitions. The general provisions of the contract included agreements on the following issues: availability of required items, components of test equipment and concurrent spare parts, follow-on support requirements, and quality assurance team issues. The entire cost of the first purchase, including administrative charges, totaled \$39,134,042 [Ref. 25:p. 1].

5. Case Implementation - Phase #2

The first phase of the Israeli MLRS purchase was a model of successful implementation under the extremely unique conditions imposed by the Israelis upon the contractor, defense department, and security assistance community. The undertaking proved to all involved parties that the relationship was solid, intact, and could be used effectively to support the Israeli military modernization efforts within time constraints.

Phase 2 came directly on the heels of the first phase, and called for the delivery of 42 additional launchers, complete with all of the support equipment required to field the equivalent of an enhanced MLRS-equipped Battalion, consisting of a total of 8 firing batteries. The equipment list included communications equipment, maintenance and recovery equipment, ambulances, training equipment, and Automated Test Equipment (ATE). Many unique features were included in the second LOA with Israel, such as requiring special upgrades and configurations for communications, as well as special vehicular requirements. Many of these special requirements had to be coordinated with the other AMC major subordinate commands, such as TAACOM for vehicular specialization, and CECOM for communications equipment upgrades. In addition, Israel began seeking support for the construction

of a General Support (GS) Depot Maintenance Facility, which would be built in Israel. The Second Phase LOA was signed on 14 July 1995 at a cost of \$229,292,294 [Ref. 26:p. 1]. Delivery of the additional systems would be final in February 1998, with the delivery of the last 24 launchers. It is anticipated that the MOD will seek the ER-MLRS and ATACMS in the future [Ref. 10:p.1].

The Israeli request for a Depot Maintenance Facility has been approved through DSAA and the 5-nation consortium which manufactures MLRS under International co-production agreement, and has undergone a study which was conducted by both contractor and DOD personnel to determine the viability of such an endeavor. During the conduct of the Program Management Reviews (PMR), which have been conducted on a semi-annual basis since case implementation, the PM works directly with contractor and customer to resolve current issues. The results of the study are not yet published, but the facility appears to be headed toward becoming a reality in the near term [Ref. 10:p. 11]. Such a facility might raise the issue of technical data rights and protection of those rights by the contractor and the U.S. government. In an interview with a high-level defense contractor who is involved in the case, he stated; "adequate protection measures for data rights are in place". The case does reflect the unique needs, and highlights the unique capability, that Israel brings to bear upon the FMS process.

IV. CASE ANALYSIS: FMS OF MLRS TO ISRAEL

A. INTRODUCTION

This chapter provides an analysis of the foreign military sale of the Multiple Launch Rocket System (MLRS) from the perspective of the functional management role of both the Project Manager, and the security assistance agencies involved. It further examines some of the ethical considerations that faced the PM, and how those issues were resolved. The chapter concludes by considering the implications of the sale upon the defense contractor, the government, and the defense industrial base.

B. CASE ANALYSIS

1. Timelines

It is important to clearly understand the timelines, terminology, and level of complexity that are being investigated in this case study: First, the Foreign Military Sale of the MLRS to Israel involves three separate transactions, the first two of which have either been completed (case #1), or are in the Letter of Offer and Acceptance (LOA) implementation stage (case #2). The first case was for the sale of six launchers, with support equipment and training, and was fully implemented in 12 months. The second case followed immediately after the first, and was for 42 additional launchers and support equipment, to be delivered through 1998. The third case, which is still in the Letter of Request (LOR) stage, involves the establishment of the depot maintenance facility in Israel, which is still undergoing a review process by representatives of the concerned parties. The analysis of all of these transactions involves the study of all three sales, and is characterized as a case study.

2. Terminology

Second, the term Foreign Military Sale (FMS), as it applies to the cases involving the Multiple Launch Rocket System (MLRS) and Israel, is a sale that is

conducted under the auspices of the Foreign Military Financing Program (FMFP). This simply means that the funds for these purchases are actually provided to Israel by Congressional appropriation, and as such, are subject to close scrutiny by members of the Legislative and Executive Branches.

3. Complexity

Third, and perhaps the most significant factor which impacted the analysis of this case, was the true level of complexity that the case represents. Unlike a typical FMS or FMFP case, where the DOD infrastructure is well-established and capable of providing adequate support to customer, contractor, and Congress, the Israeli case had the added complexity of dealing with a 5-nation international partnership. Each of these nations had their own issues and agendas which had to be resolved. Positioned in the middle of this complex web of inter-related parties, from contractor to customer, Congressman to International partner, was the pivotal player in the entire process, the Project Manager. Success or failure of the implementation of these transactions, and even the project itself, resided with him and his staff.

C. PROJECT MANAGEMENT OFFICE (PMO) ACTIVITIES

1. Letter of Request Stage - Case #1

Throughout the LOR stage of the FMS process, the prospective customer may seek answers to any number of questions about the system in which they are interested, and it generally does not take them long to determine that the PM is *the expert* on the system. The LOR stage is commonly referred to as the requirements determination stage. Any questions which a prospective customer country may have regarding configuration, capabilities, warranties, support requirements, or anything else, may be raised with the PMO. The customer also knows that the PM will answer any inquiries from the soldier's perspective, and not from the contractor's perspective, and that the PM is bound by law and regulation to conduct business with the

prospective customer in an ethical manner. The PMO can answer a broad range of questions, from technical characteristics, to employment techniques, or even U.S. doctrinal procedures. In a typical situation, there may be special customer requirements, as in the first Israeli case, where the MOD stipulated that the vehicles which were to be purchased had to have special features included, such as: larger fuel tanks, armor plate under the engine and transmission, metric gauges, special configurations for IDF-specific communications equipment, and unique electrical power requirements and instrumentation [Ref. 25:p. 24]. The first Israeli case included over thirty wheeled and tracked vehicles and trailers which would require the specialized configuration, in addition to the six MLRS launchers. In this situation, the PMO was able to respond to those questions for the customer, having to get the answers or resolve those issues via coordination with the other AMC major subordinate commands, such as TAACOM or CECOM. In cases involving the sale of the MLRS and individual items of support equipment, DSAA had determined that the lead major subordinate command was MICOM, and therefore the PM MLRS was in charge during this particular stage of the FMS process. He was therefore the single point of contact for answering technical questions about any aspect of the case. The other AMC major subordinate commands simply provide matrix support to the PM, MLRS to resolve case-specific issues [Ref. 36:p. 3].

Investors in the U.S. defense industry such as Israel are very adroit at gathering information that they deem pertinent to making prudent weapon system purchase decisions. It is because of the availability of the information regarding various weapon systems available on the international market, that the customer does not simply determine whether or not to pursue the item of equipment, but whether their unique needs can be met in a satisfactory manner with the equipment that is available to them. Such was the case with the MLRS and Israel. Some of the specific issues

which were raised early in the LOR stage of this case focused on using MLRS in the harsh terrain and weather conditions of some parts of Israel and the Middle East. Information regarding the system was already abundant, and following Desert Storm, the volume of information that was available to prospective buyers of U.S. military hardware grew tremendously. The PM, MLRS even established a home page on the Internet in 1995 [Ref. 31]. With the volume of business that Israel does with U.S. defense industries, they have developed a well-established computer network that can access many of the computer network resources of the U.S. Defense Department. This capability aided them tremendously in their quest for information regarding MLRS.

Israel had already determined that they wanted the system, and it just became a matter of allowing the international consortium to decide when the sale would be allowed, or if it would be allowed. It would be naive to assume that Israel was not using their vast lobbying resources to help secure the MLRS after Desert Storm. Israel viewed their need for the MLRS to be directly tied to a need to be able to repair and replace critical components of the system, and their not being tied to a long logistics trail back to the United States or to the NATO Maintenance and Supply Activity (NAMSA) in Europe [Ref. 13]. Because Israel is constantly on a wartime footing, they felt compelled to seek a depot maintenance capability along with the MLRS, to avoid that long logistical trail that would be required when having to rely on support from either U.S. depots or contractor support under a CLSSA-type arrangement. For a long time period, the consortium members publicly disapproved of the plan, because the idea of a depot maintenance facility in Israel would mean release of at least part of the Technical Data Package (TDP) to Israel. This would also mean a loss of some control of the program, and given Israel's record, some danger of either reverse-engineering or third-party transfers. Privately, however,

there were other underlying issues at hand, mostly of a political and economic nature, which were causing the consortium to balk at the Israeli sale [Ref. 35]. In addition, the Israelis were manufacturing their own rocket system, the Light Artillery Rocket (LAR) 160, which was a potential competitor with MLRS on the international market [Ref. 18]. Israel soon became convinced that the MLRS was a better system to meet their needs. The depot issue was not resolved by the time the first LOA for MLRS was signed. The PM initially presented the idea of a repair facility to the consortium membership as a "field maintenance capability" for Israel. No formalized part of the first case LOA included provisions for the maintenance facility, but it eventually evolved into a separate FMS case for Israel.

2. The PM Assumes the Lead

It was during this period of impasse, that several factors became apparent which caused the PMO to take up the issue of an Israeli sale with both the MOU partners and the security assistance agencies in DOD. First, U.S. contracts for new-production launchers and rockets were about to reach completion, and the assembly lines at the Camden, Arkansas, plant of Loral Vought would soon go "cold" if new business were not generated. Both the PM and the Prime Contractor felt that the future of their program would be jeopardized if that were to happen [Ref. 15]. The ER-MLRS was the future of the MLRS project, and it was still in the developmental (Engineering and Manufacturing Development) stage. Without a contract to fill the gap between regular rocket and extended range rocket production, the entire MLRS program was in jeopardy. Second, to shut down a rocket production line and requalify and restart production would be extremely expensive, and could even be so cost-prohibitive as to endanger the extended rocket program.

The PM was able to orchestrate an effort to break the impasse by the consortium membership, and push through an FMS case for the first six launchers.

With the potential for more sales to follow in later cases, the consortium agreed to allow release of the appropriate information in the TDP, initially to allow for a "field maintenance capability". The PM and the prime contractor were able to convince both the Pentagon and Congress that they had developed a well thought-out strategy for "bridging" the gap between regular rocket and extended-range rocket production, using the Israeli FMS case to keep costs under control. The Congressional Staffs were so impressed with the creativity which was displayed by the PM and the contractor, that they actually added additional funding to the MLRS project for purchasing U.S. Army rockets at the economical rate [Ref. 15].

This was clearly a unique situation where the PM had to assume the leadership position in his capacity as the head of the 5-nation Executive Management Committee, and implement some important strategies which might not have been popular with the participating nations. The situation required that a deftly-presented plan be laid out to the consortium members, the Congress, and the Pentagon. The PM assumed the leadership role, accepted the risk, laid out the plan, and the result was a win-win-win situation for Israel, the contractor, and the U.S. government. It was a win for Israel because the contract meant that Israel could finally get the MLRS. To the contractor, it was a win because the production line was not "broken" and employees' jobs remained secure because there was no longer a threat that the production line would go cold. For the U.S. government, it was a win because the PM was able to bridge the gap, through creative means, to maintain an economical price for the rockets required by the U.S. The efforts of the PMO would also enable the U.S. to eventually enter into contract negotiations with Japan and Denmark for MLRS [Ref. 15]. All of this was made possible by the hard work and dedication of the PM and his staff. No other agency could have, or would have, been as successful in such an undertaking. The PM was in the critical position to make the plan work, and was

able orchestrate all of the interested parties to implement his strategy to keep the MLRS program intact. While the security assistance agencies had various supporting roles in this stage of the FMS process, none were equipped to lead and implement such a far-reaching strategy. It was therefore incumbent upon the PMO to assume the lead throughout this stage. He knew that this would be either his victory, or his defeat. Fortunately for the project and all concerned, it was the latter, not the former, which resulted.

3. Developing Themes

Several interesting themes emerged from the activities of the players in the first case, which were perpetuated throughout all of the individual cases with Israel. The primary theme which dominated the process was the level of trust and confidence that the various parties displayed in the Project Manager. His knowledge of the system, hard work, clear vision, and ability to influence and lead disparate groups through tough negotiations, proved to be a tremendous asset to the project's success. He was able to bridge the gap between the customer, the contractor, the U.S. Government, and the consortium membership to implement a plan which enabled all parties to get what they wanted, despite the overwhelming complexity of the undertaking.

The second theme, which developed early in this stage of the FMS process, was the tenacity with which the Israelis pursued every aspect of the case while it was being developed. They constantly prodded, cajoled, coerced, and threatened in order to get issues resolved in their favor. They were masters of this game, and were able to get the system they wanted, configured the way they wanted it, complete with training, spares, and contractor support, all at a bargain price, *and* delivered to them within 12 months of signing the LOA! This theme would carry on throughout all of the stages of all of the cases involving Israel. As one DOD official at the DISAM put it, "There is never anything typical about the way Israel implements an FMS case"

[Ref. 35]. They were constantly demanding more from the contractor and the PM, always asking very pertinent questions about system capabilities, prices for spare parts, system configuration, and the like.

In this situation the PM had to serve as facilitator, problem-solver, arbitrator, and (sometimes) hand-holder. To characterize the functional role of the PM in this somewhat delicate stage of the first case, one could only conclude that the primary role of the PM is that of leader. None of the other DOD agencies are staffed to perform the leadership role in this stage of the case. While the PMO is not staffed to easily handle this level of activity, they are in the best position to assume the lead.

Another theme that arose from this particular stage of the FMS process was a bit more tangible. The costs which were incurred by the PM to get the Israeli cases moving in the right direction came from PMO resources, and were not budgeted for in appropriations. Every time the PM attended a meeting in Europe or Israel, hosted a Program Management Review, or even used matrix support from another AMC major subordinate command, the funds ultimately came from Project Office resources. Some of these costs are recouped as in administrative charges that are collected as part of the LOA. For this \$39 million case, the administrative fee was \$1,123,114.00, much of which does not end up back in the PMO coffers [Ref. 25: p.2]. Those administrative charges support all of the security assistance agencies involved, primarily DSAA, USASAC, and SAMD. The PMO is not adequately funded to be this "proactive" or "creative" when it comes to keeping his project intact. A critical relationship that the PM also had to develop and maintain, was his relationship with the Program Executive Officer, Tactical Missiles, without whom, even greater financial difficulties would have been encountered.

The ethical considerations that faced the PM during this extremely critical stage of the FMS process included both his responsibility to ensure that the MLRS

project survived during a potential "dry period", and whether his actions went beyond the ethical boundaries of his duties. The recurring theme here is whether the PM participated in the marketing of U.S. defense equipment, or established an improper relationship with the contractor. The short answer to both of these issues is a resounding No. There was no evidence that the PM acted improperly during any of the stages of the transaction. Any evidence of impropriety would have to be weighed against existing laws and ethics regulations, such as the Joint Ethics Regulation, which are somewhat vague on roles and responsibilities for the PMO. This theme runs throughout this FMS case, as it does with *all other* FMS cases.

Lastly, the relative "value-added" role of the security assistance community depended in large part upon individual personalities. Usually, the security assistance representative was content to fulfill a support role, and rarely, if ever became a proactive participant. To varying degrees, the agencies such as DSAA, USASAC and SAMD are only required to fill a support role to the Project Office, and only participate when called upon. This mind-set of the security assistance community may have left the PM with the impression that there was a "leadership vacuum" which he was ready, and able to fill.

4. Letter of Offer and Acceptance Implementation Stage - Case #1

The implementation of the first Israeli FMS case proved that, even under difficult circumstances, a reasonable agreement can be reached by the concerned parties, despite the somewhat less than cooperative spirit of the consortium members, the hidden agendas and motives. More importantly, the relationship had to grow. The implementation stage of the FMS process represents a long-term relationship for all concerned, and simply had to work in order to be meaningful. It was during this stage that the PM maintained the lead, and chaired the semi-annual Program Management Reviews (PMR), with representatives of the contractor, the security

assistance community, and the customer (the PM represents both DOD and the 5-nation consortium in his capacity as the head of the Executive Management Committee). From this centralized position, the PM was able to smooth the rough edges of the fragile partnership and align the members into a strong coalition. During these PMRs, the PM went to extraordinary lengths to resolve issues which were presented.

5. Communications

The relative importance of communication throughout the FMS process, given the set of circumstances and level of complexity surrounding this issue, cannot be understated. When one considers consortium member nations, contractors and sub-contractors, matrix support, and the customer country, the communications network spanned nearly half the globe. Not only did the PMO have to establish and maintain these networks, but they also had to encourage their use to foster good working relationships. The PMO had to remain accessible to all parties, and they had to remain pro-active in communicating with, and troubleshooting for, those concerned throughout the process. In order to satisfy the needs of the Executive and Legislative Branches, the PMO reported the progress of the case through the Program Executive Office, to his chain of command, and on occasion, directly to Congressional staffs [Ref. 15].

6. Letter of Request Stage - Case #2

Due to the utter success of the implementation of case #1, the LOR stage of the second MLRS case with Israel was brief. At this point, Israel was pleased with the support that it had received from all concerned parties, especially the PMO. The training had gone smoothly and MLRS units began training in Israel within a year of LOA implementation. More importantly, Israel had become comfortable with the leadership of the PMO, especially from the PM, COL. William Taylor, and the Chief

of the International Partnership Office, Mr. John Beale. The Program Management Reviews provided the necessary forum for the resolution of problems, and continued from the first case into the second. The requirements determination stage really consisted of determining the appropriate numbers of MLRS rockets and launchers that would be required to fulfill the artillery delivery system requirements of the IDF. Israel was already impressed with the MLRS, and the level of support they could count on from the PMO. It came as no surprise to the PMO, when Israel asked to purchase an additional 42 launchers and all the necessary support equipment, at the conclusion of the LOR stage of this case. The entire list of equipment included end items such as maintenance vehicles, ammunition carriers, Command Post Vehicles, and ambulances. This amounted to enough equipment for the creation of an enhanced MLRS-equipped artillery battalion for the IDF, consisting of 8 firing batteries, with indigenous support. Of perhaps the greatest significance was the relationship that had been established between Israel and the PMO. This relationship would prove to be the pivotal instrument in the overall success of the Israeli FMS case.

What was surprising was the schedule under which the Israelis requested the equipment be delivered. Once again, they asked for a compressed delivery schedule for the first six launchers, and that these launchers once again "bump" or divert the last of the deliveries bound for U.S. Army National Guard units. This of course required approval from DA DCSOPS, and that approval was ultimately attained through the efforts of the PM. The PM's personal involvement in this stage of the LOR process was critical to the success of the second case. The Israelis also aggressively campaigned with the prime contractor and government officials to negotiate a better price on individual items of equipment, and major end items in the second case. They finally reached an agreement and signed the LOA for \$229,292,294.00 on 14 July 1995 to conclude the LOR stage.

7. Letter of Offer and Acceptance Stage - Case #2

The LOA stage of this case is currently being implemented, and as of April 1996, the first six launchers had been delivered to Israel along with various support and maintenance items of equipment [Ref. 10:p. 3]. This makes a total of 12 launchers in Israel, with which the IDF can conduct training. Of the remaining 36 launchers, 12 are scheduled for delivery in July 1997, and the remaining 24 are to be delivered by February of 1998. Through the PMR, Israel has already indicated that they are interested in increasing the number of rockets that they intend to purchase, and wish to purchase the ER-MLRS rockets, even if they are purchased from Low Rate Initial Production (LRIP) from Lockheed Martin Vought Systems. (In March 1996, Lockheed Martin bought Loral Vought Systems, and on 23 April 1996 the company was officially re-designated Lockheed Martin Vought Systems). As of April of 1996, a final decision on whether the ER-MLRS will be sold to Israel had not yet been made, whether from LRIP, or regular production. For this \$229 million contract, the Administrative Charge to the Government of Israel (GOI) was in the amount of \$6,642,040.00 [Ref. 26:p. 2].

Another interesting aspect of this stage of the second case is the pace and tempo with which the Israelis are conducting their training. Compared with U.S. MLRS units, the Israelis have logged between five and ten times the number of tactical distances in which they have participated in training exercises with MLRS [Ref. 15]. The intensity and frequency of the training which is being conducted by the IDF has led to some maintenance issues for Israeli MLRS units, which are being resolved via the PMR. The Israeli maintenance personnel who are involved with MLRS are very skillful at coming up with creative solutions to the problems they encounter. Some information sharing is occurring between the on-site contractor personnel and IDF maintenance personnel. This is leading to overall improvements

in the MLRS system, and the ability of the IDF to conduct sustained training missions with minimal time between failures.

8. Letter of Request Stage - Case #3

The third Israeli case, which is scheduled to have a signed LOA by June of 1996 is for the MLRS depot maintenance facility in Israel. Israel has an established infrastructure for the maintenance of similar systems, but needed to be capable of conducting depot-level maintenance operations specifically for MLRS. To this end, they are pursuing the creation of such a facility in Israel. The depot facility will probably not require construction of new facilities, but will likely be attached to facilities that are already established. This means that the biggest requirement will be the provision of the proper tools required to conduct depot maintenance on MLRS. This will probably be accomplished by the PM, MLRS' implementing contracts through the MICOM Integrated Materiel Management Center for the purchases of the necessary tools and equipment. Another important aspect of this case, as alluded to earlier, involves the release of the appropriate levels of data from the TDP to Israel to allow them to perform depot-level maintenance. This will be worked out through the PMO, the International Consortium, and the contractor. Of course, adequate data rights protection measures will be implemented.

The depot maintenance facility met resistance for various reasons early-on, but the PM was personally instrumental in keeping this issue alive, because he recognized that the Israelis could only pursue MLRS in earnest if it came with an indigenous depot-level maintenance capability. Israel simply could not rely on U.S.-based depots or NAMSA for depot maintenance. The PM first presented the idea as a field maintenance capability, which later evolved into a full depot facility for Israel. This clever technique of slowly getting the partnership members used to the idea of allowing Israel to have such a facility, as well as laying the groundwork for the

establishment of the facility to satisfy the Israelis, proved to be the best compromise possible.

D. CONCLUSION

Throughout the FMS process, the Security Assistance agencies provided adequate levels of support to the Project Manager. They were not as proactive as the PMO, nor did they provide any more assistance than was specifically requested, and in large part their level of effort could be attributed to individual personalities/workloads. It became obvious at an early stage of the Israeli case that the Security Assistance Community was neither equipped nor inclined to take the lead in the case implementation. It was clearly the job of the PM to assume that role, both in his capacity as the head of the Executive Management Committee of the International Consortium, and as the central figure for customer, contractor, and U.S. Government. While it was the leadership aspect of the PMO which won the day regarding successful case implementation, despite the difficult schedules and complexities, the funding was generally provided through project assets. Through each of the stages of the FMS process, the PM frequently had to go to extraordinary lengths to accomplish the mission. The ethical aspects of the case which centered on whether the PMO either participated in the marketing of U.S. defense equipment or established an improper relationship with the contractor, while certainly considerations in all FMS cases, were not seriously at issue here. The PM acted in a prudent, ethical manner throughout the case time period, and should be lauded for his efforts. The most important aspect of the role that the PM assumed in the case was that of leader. Without this central figure, operating in an aggressive, pro-active manner to achieve the goals of all the disparate parties, the project would have failed. In bringing these disparate groups together the way the PM was able to, and by forming them into a cohesive team, they were able to overcome tremendous adversity, and create a win-

win-win situation for customer, contractor, and U.S. Government. In this era of shrinking defense budgets, the impact of the utter success of the MLRS program, due in large part to the success of the Israeli FMS case on the contractor, government, and the defense industrial base, is immeasurable.

V. CONCLUSION

A. GENERAL

The end of the Cold War has brought security to the United States at a tremendous price. It has been replaced by a struggle to create and sustain both democratic institutions of government and market economies throughout the world. The United States is leading the move toward creating a new international system which has democracy as its foundation. We will clearly benefit from the consolidation of democratic economies by diminishing the threat of war, and expanding economic opportunities for us and our allies. The transfer of defense articles, services, military training, and economic assistance provides the catalyst for such economic expansion. Security Assistance, in particular the Foreign Military Sales Program, supports our foreign policy objectives, and has become a critical component of our foreign policy.

Many friendly and allied nations throughout the world are seeking to build and maintain modern military forces which provide a credible deterrent to regional conflict. In their attempts to gain the best technological capability that is available, these nations are seeking to purchase weapons and military hardware from the United States. The tremendous success that was enjoyed by the U.S.-led coalition during the Gulf War has caused interest in U.S. military technology to increase dramatically. In many instances, our allies began to express interest in weapon systems which were proven for the first time in modern warfare. The Multiple Launch Rocket System (MLRS) is one such system which proved itself during that conflict. Israel has set out to modernize its current artillery capability by supplementing its tube artillery with the MLRS. Such a modernization effort represents a quantum leap for the military capabilities of Israel. The FMS case of the MLRS to Israel has served to help clearly

define the roles with which the security assistance community must now operate, and to expand the role of the Project Manager during all of the stages of the FMS process.

With the surge of interest in the new military technology that the U.S. has to offer on the international market, comes the realization that the roles of the security assistance community and Project Manager are going to have to change dramatically. Prior to the increased interest in new technology, the security assistance community provided the leadership throughout the FMS process, and the PM normally had little involvement in such transactions. Obsolete or excess items of defense equipment that were sold to friendly nations often had little or no PM involvement in those transactions, and the security assistance community did the majority of the work in making the transfers. The role and responsibility of the PM has increased dramatically with increased sales of new weapons and equipment. The security assistance community has assumed more of a support role for the PM in these efforts.

B. PROJECT MANAGEMENT OFFICE (PMO) SHORTCOMINGS DURING FOREIGN MILITARY SALES (FMS) TRANSACTIONS

The Project Management Office is not adequately resourced to manage FMS transactions, and funding for their efforts must come from project assets or from resources provided by Program Executive Office (PEO). The Project Manager knows that some administrative fees are charged to a typical FMS transaction, but that those fees are ultimately recouped by the entire security assistance community, and not just the PMO. These administrative fees are intended to offset those administrative and overhead expenses incurred by all of the participants in the FMS process, but not to provide capital gains. In addition, there is no clear guidance provided to the PMO regarding their roles and responsibilities in the FMS process. Such a lack of defined roles and responsibilities often creates a "leadership vacuum" which requires the PM to assume the lead in the FMS process. Also, the ethical considerations which face

the PM in the conduct of an FMS transaction may sometimes come into play. For the most part, the ethical guidelines that are given to the PM are often vague and even conflict with other regulations and policies, depending upon whose interpretations are being used, and what the results of those interpretations are. The basis for the ethical manner in which the PM must perform his duties in FMS transactions is twofold: first, the PM may not participate in the marketing of defense equipment, and second, he must not engage in an improper relationship with the defense contractor. Beyond those two very basic requirements, there is very little clear guidance given to prescribe the ethical behavior with which the PM must conduct FMS transactions.

C. FINDINGS AND RECOMMENDATIONS

1. Funding

When it becomes clear that a new item of equipment or weapon system will be offered for sale to our allies, the appropriate level of funding required to facilitate the foreign military sale of such equipment must be made available to the Project Manager. Such funds may come from PEO resources, the Department of Defense (through the DSAA), or through separate appropriation by Congress. In large part, many newer programs have sufficient funding to facilitate these types of new equipment sales. As in the case of the foreign military sale of the MLRS to Israel, the PM had to very carefully manage his resources in order to consummate the transaction. Of course some of those expenses can be recovered, in the form of the administrative charges that are applied to all FMS cases. The FMS of new weapon systems requires that funding be provided to the Project Manager in advance of the sale, because that is when a large percentage of the work is accomplished by the PMO. The timing of the funding is as critical a component of the successful implementation of the FMS case, as is the funding itself. In this vein, the Program Executive Office (PEO) may have some inherent flexibility built into its budget to

help support the efforts of PMs who are involved in new production FMS transactions. However, funding must be earmarked in the budgeting process to support and sustain FMS transactions for the PM. By doing so, the PM will know what resources can be used in the FMS process, and can better manage those assets to accomplish his intended goals with increased efficiency. Simply stated, this places the resource directly in the hands of the user.

There will be an increase in the future sale of weapon systems such as the MLRS to Israel. As stated in the case analysis, Israel is expressing interest in the MLRS extended range rocket, and ATACMS. PMs will require adequate funding to participate in this type of transaction, and to assure the success of their individual programs. As more customer countries become involved in the acquisition process, the expenses incurred by the PMO in managing an increased number of FMS cases will increase dramatically as well. It is therefore essential that the PM and the PEO adequately prepare for future FMS transactions as they conduct acquisition planning, and participate in the planning, programming and budgeting cycle. By doing so, they will be able to provide better service to their customers, and operate with increased efficiency. The funding aspect of FMS transactions, as it relates to the activities of a typical PMO, cannot be understated in its relative importance to a program. FMS is gaining importance in the acquisition cycle, and just as with every other aspect of the acquisition cycle, must be properly planned and implemented.

2. Roles and Responsibilities

It became clear during the conduct of the FMS of the MLRS to Israel that the security assistance agencies (Defense Security Assistance Agency (DSAA), U.S. Army Security Assistance Command (USASAC), and the Security Assistance Management Directorate (SAMD) at the U.S. Army Missile Command) that were involved in the case held supporting roles behind the PM. They generally participated

in the approval process, or provided some other administrative service. The PM was clearly in charge, due in large part to the level of trust and confidence that he engendered from the interested parties. By his very position within the center of the circle of customer, contractor, and U.S. Government, the PM could adequately manage the program. Yet nowhere is there guidance that clearly defines the roles and responsibilities of the PM and the security assistance community.

Many published regulations are vague and subject to interpretation, and quite often they even conflict with regulations from other agencies. This lack of clear guidance concerning the roles and responsibilities of the individual agencies may have created a lack of leadership in this particular case, but the PM saw it as his duty to assume the lead throughout the entire FMS case. Any senior Army Officer who finds himself in a similar situation, without clearly-defined roles for the relevant actors, will assume the lead in the absence of explicit guidance. It is inherent in their training for them to assume command of the situation in the absence of clear lines of authority. COL. (Ret.) William Taylor, who was the MLRS PM during the critical stages of the sale to Israel, said of this situation, "I was Al Haig in this situation, I felt that it was my responsibility to assume the leadership role" [Ref. 15].

Clearly defined roles and responsibilities are needed to effectively and efficiently manage the foreign military sale of extremely complex weapon systems such as the MLRS. The Department of Defense should consolidate into one single regulation, or supplement the Security Assistance Management Manual (SAMM) to empower the Project Manager with the unambiguous authority to provide the leadership throughout the entire FMS process for new equipment purchases. No other individual is in a better position to accomplish this task, and facilitate the transaction than the PM. As the Israeli case also illustrated, the PM has to work very hard to help facilitate the transaction, despite the disparity of the different groups with which he

had to deal. Many obstacles had to be overcome in order to successfully implement the case, primarily due to the individual efforts of the Project Manager. While the primary role of the Project Manager in this case was the of leader, it is also important to recognize the importance of the role that he fulfilled as facilitator. The Project Manager's role as the leader and facilitator of the FMS case were the most critical components of the program's ultimate success.

3. Ethical Considerations

During the FMS case of the MLRS with Israel, the PM may not engage in the following activities: the marketing of defense equipment, and establishing an improper relationship with the defense contractor. It is a common occurrence during the Letter of Request (LOR) stage of an FMS case, that the Project Manager is asked to participate in either a capabilities demonstration or answer questions regarding system capabilities. In the Israeli case, the PM answered a great number of questions for the Israelis on the MLRS. He also went to considerable lengths to help facilitate the sale, by encouraging the consortium members that it was in their best interest to move in this direction. This however, does not constitute marketing of defense equipment. In fact, the relevant policy requires that the PM facilitate sales whenever possible. It therefore becomes a matter of judgment for the PM to use his discretion in facilitating such sales. If in his good judgment he can help to facilitate such a sale without impropriety, then there is no ethical dilemma. It may be that the regulations intentionally give wide discretionary authority to the PM in this situation, to allow him to make the appropriate decision, based upon relevant circumstances. It appears that current policies and regulations give a great deal of latitude to the Program Manager to conduct business as he deems appropriate, within the guidelines that he is provided.

There is a need for clear, distinct regulatory guidance regarding the ethical behavior that the PM may, and may not participate in when involved in FMS transactions. By incorporating into the roles and responsibilities of the PM in these types of activities, and eliminating any conflict or confusion within the various agency regulations, the PM will be better able to act within the framework of the ethical boundaries that are set out in the regulations. Such clarification will allow better interpretation of the ethical responsibilities of the persons who are involved in the FMS process. These clear guidelines will also serve to assist the PMO in the oversight process, whereby each member of the PMO is fully aware of the ethical limitations of his or her office. When a PMO can operate with clear understanding of their ethical boundaries, then there can only be an improvement in the efficiency of the entire operation. This effort will also help to reduce wastefully redundant regulations and policies that clutter every level of the security assistance hierarchy.

D. ANSWERS TO RESEARCH QUESTIONS

1. What is the functional management role of the Project Manager in the Foreign Military Sales process?

Based upon the analysis that was provided in Chapter IV, the functional management role that the PM should assume is that of leader and facilitator throughout the entire FMS process.

2. What agencies are responsible for supporting the Project Manager in the Foreign Military Sales process, and how did they impact this case?

Information provided in Chapters II and IV indicated that the primary agencies that are involved in the Foreign Military Sales process are the Department of the Army, Deputy Chief of Staff for Operations, (DA DCSOPS), Defense Security Assistance Agency (DSAA), U.S. Army Security Assistance Command (USASAC), and the Security Assistance Management Directorate (SAMD), of the U.S. Army

Missile Command. These agencies provided the administrative support and served as the approval authority for many of the stages of the FMS case. They acted to help facilitate the case that was managed throughout by the PMO, and they received much of their guidance from the PM. The impact that these agencies had upon the Israeli case was minimal, and in some instances the PM actually performed the duties of the security assistance agency.

3. What activities did the PM actually perform that may have been outside of his scope of responsibility?

In his capacity as facilitator, the PM went to sometimes extraordinary lengths to implement the FMS case with Israel. In this regard, he personally used his influence to gain approval from DA DCSOPS for the diversion of the first twelve MLRS launchers that were intended for U.S. Army National Guard units. This not only accommodated the needs of the customer, but also served to balance the needs of both the contractor and the government by keeping the production lines going. Additionally, the PM helped to develop the idea of the depot maintenance facility with the members of the international consortium. His efforts eventually led to the signing of two separate LOAs for the MLRS with Israel, given the prospect of developing a depot maintenance capability in-country.

4. What ethical considerations did the PM face throughout this case?

The PM had to be certain that he was not participating in the marketing of U.S. defense equipment, nor involved in an improper relationship with the contractor. The PM is bound by regulation to carry out all of his duties in an ethical manner and to use great care when conducting FMS transactions. Because of the proximity of the program to the PM, great care must also be exercised in precluding the appearance of impropriety. In the absence of clear guidance on what constitutes this conflict of interest by the PM, it becomes difficult to assess the ethical boundaries within which the PM had to operate.

5. Whose responsibility is it to protect the data/intellectual property rights of the defense contractor in this case?

If the data/intellectual property rights of the defense contractor are solely the property of the defense contractor, then it is incumbent upon the contractor to properly safeguard those rights. If all or part of the data/intellectual property rights are owned by the government, then it is the responsibility of the government to ensure their security. In the MLRS case, the data rights were the property of the defense contractor, Lockheed Martin Vought Systems.

6. Is the Israeli FMS case of the MLRS representative of the future of our Foreign Military Sales Program?

In many ways the FMS case of the MLRS to Israel is indicative of the future of our foreign military sales program, because it highlights the need for expanded markets of new equipment sales. It also points out that roles and responsibilities for the PM and the security assistance community have changed, from the traditional security assistance transactions of the past. The case also served to emphasize the relative importance of the PMO in the overall FMS process. In the acquisition cycle, the relative importance that FMS is gaining in new equipment sales cannot be understated.

7. What unique features does this case include when compared to other FMS cases?

The case involved the international partnership that co-produces the MLRS, which brought a unique dimension to the FMS process. It also incorporated the depot maintenance facility for Israel, which proved to be a significant challenge to case implementation. The timing aspect of the case, which literally saved the MLRS rocket production line from going "cold" was a unique feature of this transaction. The timeline which was required by the Israelis for the delivery of the first twelve launchers proved to be a unique feature of the case as well.

8. What were the lessons learned from this FMS case?

1. The PM is the expert on the system, and he lends credibility to the overall program.
2. The PM is the leader and facilitator of the entire FMS transaction.
3. The PMO is not adequately funded to perform all of the functions required by FMS transactions.
4. Current policies do not adequately define the roles and responsibilities of the PMO and the security assistance community in FMS transactions.
5. The PM is proactive; the security assistance community is reactive.
6. Current policies lack clear guidance on the marketing of defense equipment during the FMS process.
7. A solid, healthy relationship between the PMO and the contractor is essential to successful FMS case implementation.
8. Success or failure of a program resides with the PMO in new equipment FMS cases.

E. RECOMMENDATIONS FOR FURTHER STUDY

1. Impact of the world-wide transfer of arms to customer countries and whether such transfers equate to increased danger to American interests abroad. The sale of defense equipment to other countries helps the U.S. defense industrial base, but at what cost? Are we flooding the world market with too many weapons? Are our allies, the benefactors of such sales, really acting responsibly when they acquire U.S. defense articles?

2. Cost reduction measures aimed at reducing the redundant infrastructure that is our security assistance community should be examined. This effort would

entail examining and developing recommendations for the consolidation of security assistance offices and agencies. Such a reduction could streamline the security assistance process by eliminating redundancy and increasing efficiency.

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36. Department of the Army, Memorandum from the Army Acquisition Executive; SUBJECT: Policy 91-4, Matrix Support Policy for Program Executive Officer Managed Systems, dated 28 February 1991.
37. U.S. Army Missile Command Regulation 12-1, Security Assistance, Foreign Military Sales (FMS) Program, 31 October, 1991.
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